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Fiji Budget 2017/2018

*Budget Report
29 June 2017*



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Senior Partner's Message

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The Attorney-General and Minister for Economy, Public Enterprise, Civil Service & Communication, Honourable Aiyaz Sayed-Khaiyum delivered the 2017/2018 Fiji Budget in Parliament this evening. The Budget anticipates the Fijian economy to grow by 3.8% in 2017 and in that process, on track to realise ten consecutive years of economic growth. The current budget forecasts growth rates of 3% and 2.9% for 2018 and 2019 respectively.

The key areas of focus in this People's Budget include the following:

- The increase in the minimum income tax threshold from \$16,000 to \$30,000 together with a package of benefits and subsidies for low income earners and the disadvantaged will boost consumer spending.
- Following the assignment by PricewaterhouseCoopers Fiji and Strategic Pay New Zealand, accredited Job Evaluators from across the Civil Service determined where the various jobs would be placed in the new 15 salary bands. Increases for Civil Servants will be awarded ranging from 3%-79%. The Civil Service Reform Management Unit is continuing reform activities in line with international best practices to improve service delivery to the public.
- The minimum wage rate for unskilled workers will be increased to \$2.68 per hour from \$2.32.
- With Fiji's Presidency of COP 23 and the risk that climate change poses to Fiji's national security and development, the Government is taking a number of initiatives in this area. These include the establishment of new Ministries and the introduction of an Environment and Climate Adaptation Levy (ECAL) of 10% (which replaces the existing Environment levy of 6%). A plastic bag levy of 10 cents will be introduced.
- The Social Responsibility Tax (SRT) has been ring fenced to exempt taxpayers from one-off transactions. In addition ECAL will be levied on incomes over \$270,000 and the SRT has been restructured such that there will be no additional tax burden with the application of ECAL.
- Service Turnover Tax will be reduced to 6% from 10%. With the new ECAL of 10% and the VAT rate remaining at 9% , the overall taxes remain at 25% for tourism and applicable entertainment activities
- To improve the quality of education and health services, significant resources will be channeled to the recruitment of teachers and health care professionals. The Tertiary Education Loans Scheme will receive a significant increase to \$196.4m for various scholarships and loans.



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- Improvements to the quality of public transportation by reducing duties for certain public vehicles, buses, and vessels
- Elimination of dividend taxation except for 1% transitional tax on pre-2014 undistributed company profits as at 29 June 2017.
- Tax amnesty in certain situations will be granted. To strengthen tax compliance there will be changes to the Tax Administration Act including more severe penalties. Generally duties have decreased and incentives have been extended for certain sectors.

Our attached analysis provides further information on the various features and announcements in the Budget.

Please feel free to contact any of the partners for further clarification.



Jenny Seeto
Senior Partner, PwC Fiji

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1.1 Budget Estimates

	2016/2017 Budget \$m	2016/2017 Revised \$m	2017/2018 Budget \$m	2018/2019 Target \$m	2019/2020 Target \$m
Revenue	3,175.30	2,896.3	3,857.3	3,542.3	3,721.4
Expenditure	3,643.30	3,105.1	4,356.80	3,890.7	4,028.5
Net Surplus (Deficit)	(468.00)	(208.8)	(499.5)	(348.4)	(307.1)
Loan Redemption	N/A	N/A	(217.4)	N/A	N/A
Budget Gross Surplus (Deficit)	N/A	N/A	(716.9)	N/A	N/A

1.2 Economic Indicators

	2016/2017 Budget \$m	2016/2017 Revised \$m	2017/2018 Budget \$m	2018/2019 Target \$m	2019/2020 Target \$m
GDP at market prices	9,866.8	10,980.3	10,980.1	11,614.4	12,285.3
Growth rate	2.8% (f; Aug 2016 – July 2017)	2.0% (e; 2016)	3.8% (e; 2017)	3.0% (f; 2018)	2.9% (f; 2019)
Debt *	4,969.3	4,688.6	5,216.1	5,564.5	5,871.6
Debt as a % of GDP	50.4%	42.7%	47.5%	47.9%	47.8%
Interest payments	284.9	228 (r; 2016/2017)	298 (f; 2017/2018)	N/A	N/A

*The overall numbers do not seem to reconcile with the debt level projected for 2017/2018.

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	2016/ 2017 Budget \$m	2016/ 2017 Revised \$m	2017/2018 Budget \$m	2018/2019 Target \$m	2019/2020 Target \$m
Interest payments – %of total operating expenditure	13.3 %	12.3%	11.8%	N/A	N/A
Revenue from sale of Government Assets	250.0	2.4 (r; 2016/2017)	371.9 (B; 2017/2018)	N/A	N/A

	2015	2016	2017	2018
Visitor arrivals	754,835 (p)	792,320 (p)	831,936 (f)	873,533 (f)
Inflation	1.6%	3.9%	3.0%(f)	2.5%(p)
Anticipated sugar export quantity (000s)	176.8 (r)	143 (p)	170 (f)	203.3 (f)

	July 2016	2015	2014	2013
Government Guarantees	787.4	824.5	832.6	812.4
Total Contingent Liabilities (\$m)	N/A	2,797.2	2,556.7	2,191.4

Source: 2016/2017 Budget Supplement

Key:
(f) Forecast
(r) Revised
(p) Provisional
N/A Data not available
B Budgeted

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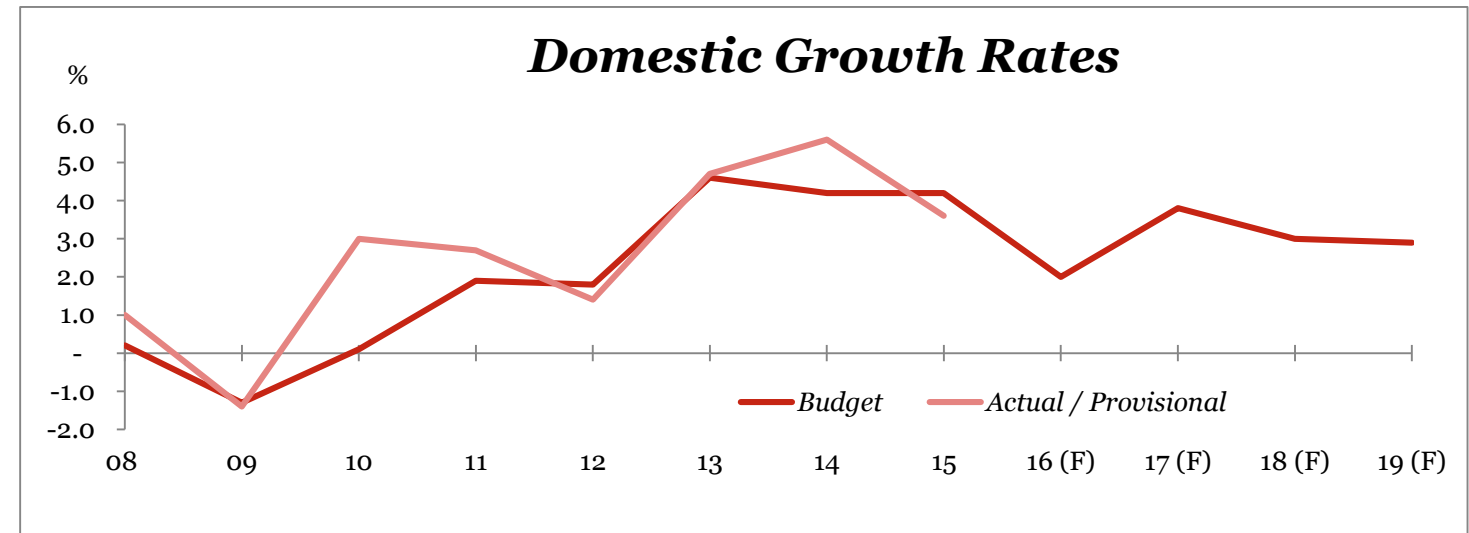
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2 State of the Nation

2.1 Economic Position

2.1.1 Growth rate

2017/2018=3.8%



Source: 2017/2018 Budget Supplement

International Outlook

The International Monetary Fund (IMF) has projected global growth to grow to 3.5% in 2017 and 3.6% in 2018.

Domestic Outlook

The domestic economy is estimated to have expanded by 2.0% in 2016 after growing by 3.6% in 2015 and 5.6% in 2014.

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Overview 2017

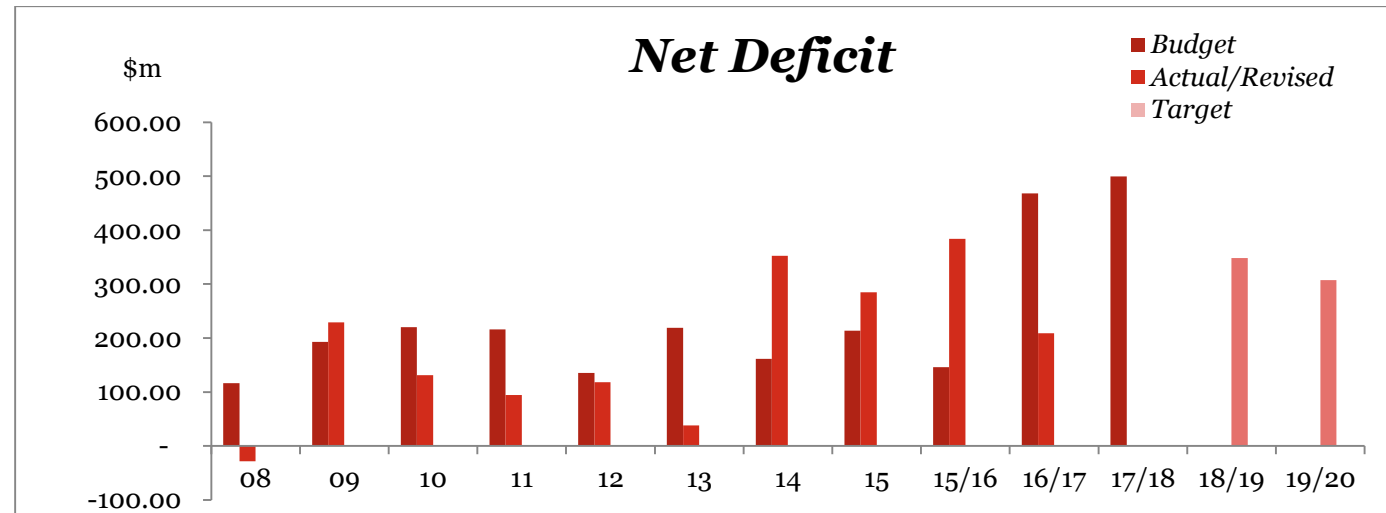
The Fijian economy is anticipated to grow by 3.8% in 2017. Growth is anticipated to be broad based, and driven mainly by manufacturing, construction, and the financial and insurance activities.

Overview 2018 & 2019

The Fijian economy is forecast to grow by 3.0% in 2018. All sectors of the economy are expected to register positive growth with major contributions from the manufacturing, transport and storage and the financial and insurance sectors.

In 2019, a slightly lower growth of 2.9% is envisaged with positive growth expected for all sectors.

2.1.2 Budget Deficit



Source: 2017/2018 Budget Supplement

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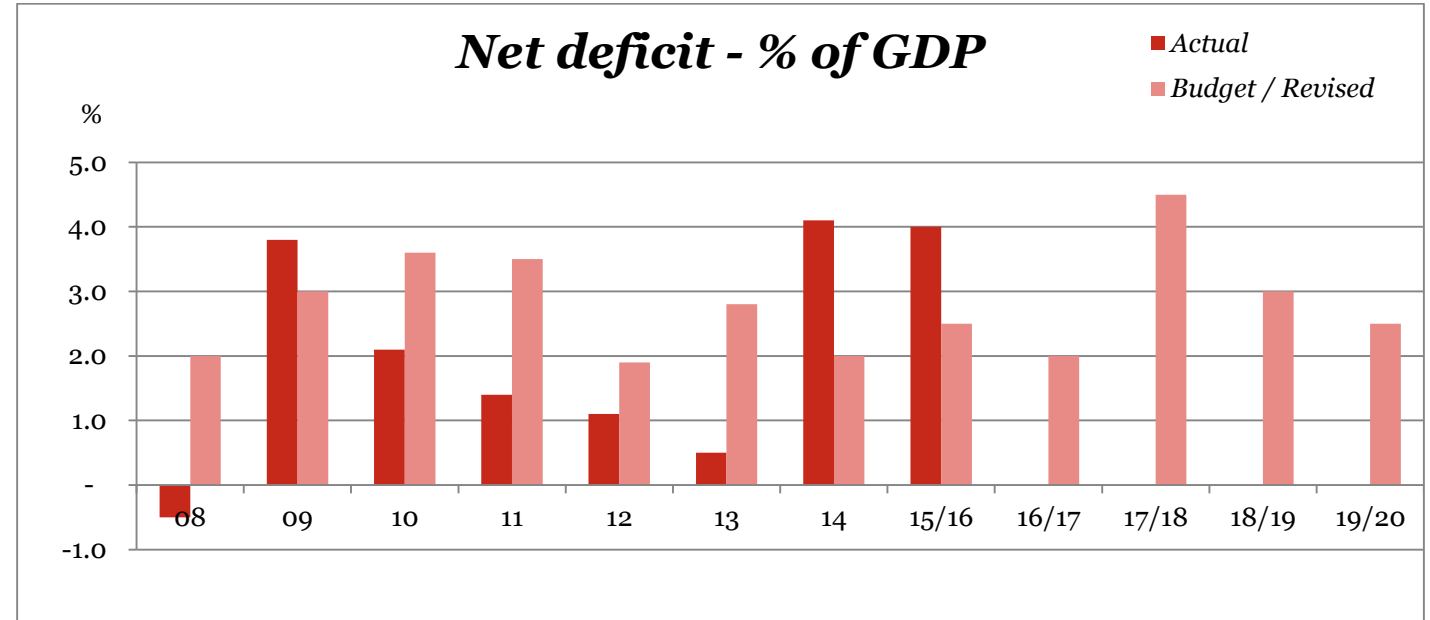
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Source: 2017/2018 Budget Supplement

2015/2016 Actual Performance

Government recorded a net deficit of \$383.7 million equivalent to 4.0% of GDP in the FY 2015-2016. Total actual revenues amounted to \$2,908.3 million, while total expenditures stood at \$3,292.0 million.

2016/2017 Projection

Based on current fiscal performance, the net deficit for the FY 2016-2017 is projected to be around \$208.9 million or 2.0% of GDP. This is derived from estimated total revenues of \$2,896.3 million and total expenditures of \$3,105.1 million.

2017/2018 Budget Estimates

The net deficit for the FY 2017-2018 is budgeted at \$499.5 million or 4.5% of GDP. Total revenues are projected at \$3,857.3 million against total expenditures of \$4,356.8 million. The higher net deficit for 2017-2018 is mainly attributed to a rollover of capital expenditure from the 2016-2017 financial year.

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2.1.3 Balance of payments

In 2016, the current account deficit (excluding aircraft), is estimated to have widened to around 5.0% of GDP. This is mainly due to a projected higher trade deficit, which recorded a decline in exports and a rise in imports, as a result of TC Winston. The surplus in the capital and financial account (excluding reserves) is estimated at around 6.4% of GDP. The overall balance of payment account decreased by \$22.5 million in 2016.

In 2017, the current account deficit (excluding aircraft) is expected to widen to around 5.4% of GDP. This is mainly due to an increase in imports stemming from reconstruction activities after TC Winston and a rebound in mineral fuel prices. Furthermore, Government grants and aid are expected to be lower this year as one-off donations for TC Winston abate.

In addition, the primary income deficit is expected to widen due to higher profit and dividend repatriation and Government interest payments. The capital and financial account (excluding reserves) balance is projected to increase to around 7.0% of GDP. Consequently, the overall balance of payments is expected to increase by \$30.1 million.

The current account deficit is projected to decline to 5.1% and 4.6% of GDP in 2018 and 2019 respectively.

2.1.4 Government debt

The nominal value of Government's total debt stock stood at \$4.5 billion by end of July 2016. The Debt to GDP ratio has declined from 49.2% in 2015 to 47% in 2016. The medium term target for Government is to maintain debt at below 40.0% of GDP.

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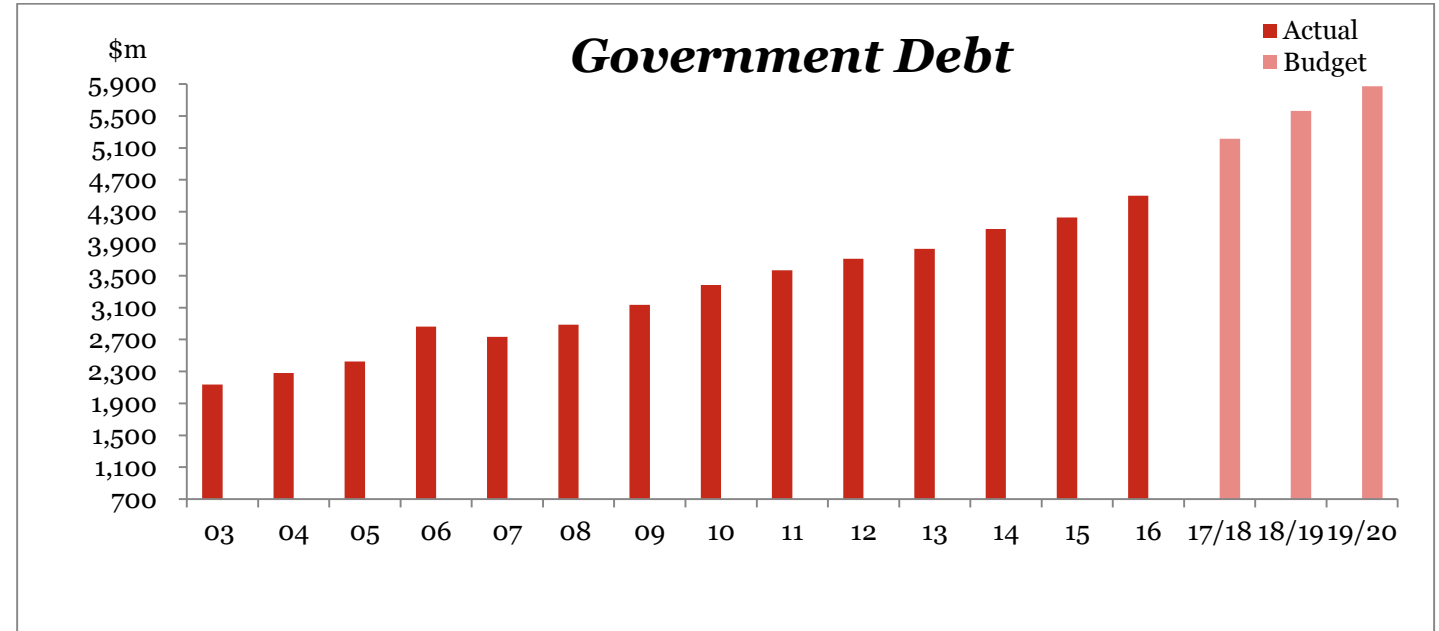
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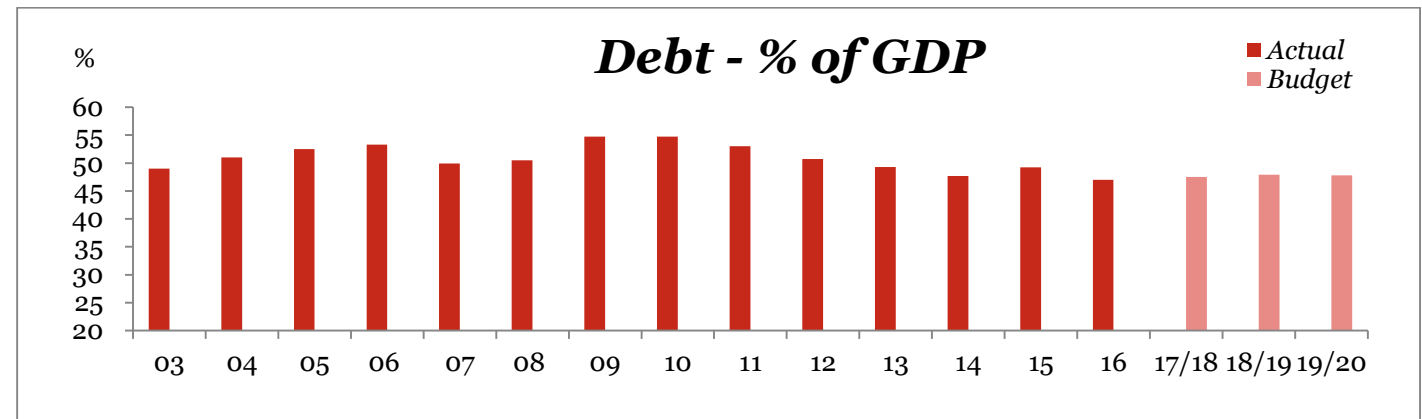
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Source: 2017/2018 Budget Supplement



Source: 2017/2018 Budget Supplement

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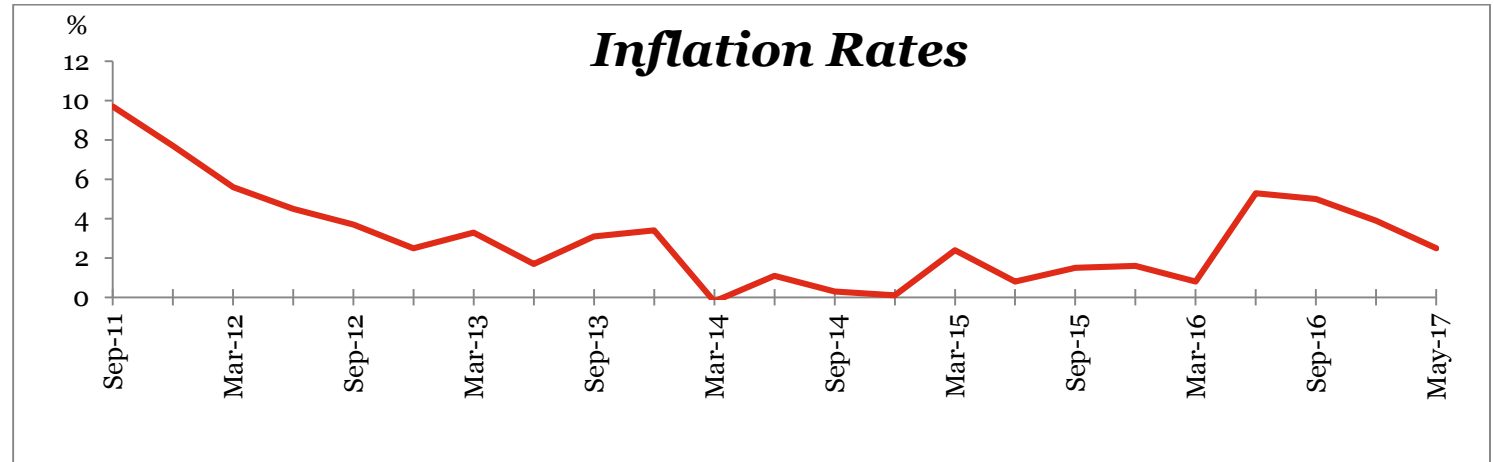
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2.1.5 Inflation



Source: RBF Quarterly/ Economic Reviews and 2017/2018 Budget Supplement

Year-end inflation was 3.9% in 2016, higher than 1.6% at the end of 2015. Higher prices in 2016 were a result of shortage of agricultural produce and yaqona after TC Winston.

Inflation was at 6.8% in January 2017 driven by higher prices for agricultural produce and yaqona, given the on-going supply shortages after TC Winston and later Tropical Depression 04F. In the recent months, inflation has trended down to 2.5% at the end of May 2017 as supply conditions have stabilised.

Inflationary pressures for the remainder of 2017 are expected to be driven mostly by higher prices for yaqona and fuel. Year-end inflation is forecast at 3.0% for 2017 and higher commodity prices and adverse weather conditions domestically are key risks to the outlook. Inflation is projected to fall slightly to 2.5% in 2018 and 2019.

2.1.6 Exports and Imports

Total exports in 2016 fell by 5.5%, underpinned by declines in fuel re-exports and domestic timber and sugar exports. These more-than-offset the increases in export of gold, mineral water and yaqona.

In 2017, total exports are expected to grow by 8.5%, supported mainly by price related increases in fuel re-exports and increase in domestic molasses, mineral water and sugar exports.

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Total exports are projected to grow by 5.2% in 2018, and by 5.1% in 2019.

Total imports for 2016 are estimated to have grown by 3.8%, led by the higher imports of machinery and transport equipment and manufactured goods, which more-than-offset the decline in imports of mineral fuel and food.

In 2017, total import growth is projected at 7.6%, attributed mainly to higher payments for mineral fuel, machinery and transport equipment and food.

Import growth for 2018 and 2019 is projected at 4.2% and 4.5% respectively.

2.1.7 Monetary Policy

The Reserve Bank of Fiji (RBF) maintained its policy focus on safeguarding its twin objectives of low inflation and adequate foreign reserves. Given comfortable growth outlooks, the RBF continued with its accommodative monetary policy stance and maintained the Overnight Policy Rate at 0.5% in the first five months of 2017.

Foreign reserves remained at comfortable levels throughout the first four months of 2017, averaging around 5.3 months of retained imports of goods and non-factor services. Foreign reserves levels registered a new record high of \$2,210.0 million as of 9 May 2017, surpassing the previous peak of \$2,042.2 million recorded in 2015.

2.1.8 Interest Rates

Commercial banks' lending rates have trended downwards in the year to March 2017 while deposit rates rose.

The commercial banks' weighted average outstanding lending rate fell to 5.82% in March 2017, from 5.87% a year earlier. In the same period, the commercial banks' weighted average outstanding time deposit rate rose to 3.19% from 2.72%, while the weighted average savings rate increased to 1.12% from 0.85% in March 2016.

2.1.9 Exchange Rates

The Nominal Effective Exchange Rate (NEER) index depreciated slightly in April (0.1%) but appreciated marginally over the year (0.03%). Similarly, the Real Effective Exchange Rate (REER) depreciated by 2.3% in April, but over the year it appreciated by 0.03% as Fiji's inflation rate remained high relative to trading partner countries.

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2.2 Government Revenue

2.2.1 Direct taxes

Direct taxes make up 26.2% of the Government's operating revenue. In 2015/2016, total direct tax collection amounted to \$699.0 million, while the projection for 2016/2017 is \$717.9 million. The collection is forecast to increase to \$790.4 million in 2017/2018.

2.2.2 Indirect taxes

Total collections for 2015/2016 amounted to \$1,677.4 million. The collection is anticipated to increase to \$1,914.3 million in 2016/2017 and to \$2,244.4 million in 2017/2018.

The key changes in indirect taxes include:

- The Environmental Levy will be renamed as the Environment and Climate Adaptation Levy (ECAL) and increased from 6% to 10%.
- Imposition of ECAL on luxury vehicles with the engine capacity exceeding 3000cc (the levy is not applicable to public transportation such as taxis).
- Imposition of a 10 cents per bag levy on plastic bags at point of sale.
- Imposition of ECAL on superyacht charter.
- A 10% ECAL will be imposed on chargeable income of more than \$270,000. This will be incorporated into the SRT with SRT rates adjusted downwards to contain the current tax burden.

2.2.3 Other Government Revenue

The Government is expected to generate receipts of \$6.2 million in 2016/2017 and \$383.4 million in 2017/2018 as investing receipts. Majority of the receipts relate to the sale of Government assets.

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2.3 Government Expenditure

2.3.1 Operating Payments

The budget details indicate that personnel cost is expected to be the largest component of the Government's operating expenditure being 40.3% and 41.2% of Government's operating expenditure during 2016/2017 and 2017/2018 respectively. During 2017/2018, this is followed by transfer payments (refer below) at 30.5%, interest payments at 11.8%, supplies and consumables at 11.4%, special expenditures at 4.7% and other operating payments at 0.4%.

2.3.2 Personnel Costs

Wages and salaries expenditure during 2015/2016 amounted to \$809.1 million, while the projection for 2016/2017 is \$868.4 million. This is expected to increase to \$1,035.7 million during 2017/2018 due to the salary adjustments emanating from the recent Civil Service Job Review Exercise.

2.3.3 Transfer Payments (Operating Grants)

Total operating transfers during 2015/2016 stood at \$520.8 million. This is expected to increase to \$524.5 million during 2016/2017 and \$766.9 million in 2017/2018.

The major operating grants provided in the Budget include:

Water Authority of Fiji	– \$89.6 million
Fiji National University	– \$56.1 million
Judiciary	– \$54.5 million
FRCS Grant	– \$53.7 million
Poverty Benefit Scheme	– \$38.1 million
Social Pension Scheme	– \$37.2 million
Fee Free Education Years 1-8	– \$35.0 million
Fee Free Education Year 9-13	– \$31.4 million
University of the South Pacific	– \$30.7 million
Fiji Road Authority	– \$26.8 million
Land Transport Authority	– \$23.1 million
Fiji Elections Office	– \$22.1 million
Bus Fare Assistance	– \$20.0 million
Parliament	– \$11.0 million
Grant to Fiji's Servicemen's After Care Fund	– \$11.0 million

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Grant to Tourism Fiji	– \$10.4 million
Salary grant for early childhood education teachers	– \$8.8 million
Fiji Independent Commission Against Corruption	– \$8.5 million
Legal Aid Commission	– \$8.4 million
Allowance for Persons with Disability	– \$8.0 million
Biosecurity Authority of Fiji	– \$6.8 million
Child Protection Allowance	– \$6.8 million
Office of the Director Public Prosecution	– \$6.3 million
Public Service Commission	– \$6.3 million

2.3.4 Supplies and Consumables

During 2015/2016, total expenditure on supplies and consumables amounted to \$238.1 million. The allocation for 2016/2017 is \$217.9 million and is expected to increase to \$286.4 million in 2017/2018.

2.3.5 Special Expenditures

During 2015/2016, spending on special expenditures such as trainings, consultancies and other capacity building initiatives amounted to \$88.8 million. Projections for 2016/2017 and 2017/2018 are \$51.3 million and \$118.4 million, respectively.

2.3.6 Interest Payments

Total interest payments during 2015/2016 amounted to \$283.5 million. The expected interest payments for 2016/2017 and 2017/2018 are \$228.0 million and \$298.0 million, respectively.

2.4 Investing Activities

Investing revenue in FY 2015/2016 stood at \$192 million. Government has projected around \$383.4 million from investing revenues during FY 2017/2018, mainly from the sale of government assets.

In 2015/2016, around \$1,053.4 million was provided as capital grants and transfers, while the anticipated spending for 2016/2017 is \$1,024.2 million. For 2017/2018, Government has allocated \$1,320.2 million for undertaking capital projects.

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The allocations for major capital grants and transfers during FY 2017/2018 include:

Fiji Roads Authority	– \$500.8 million
Water Authority of Fiji	– \$217.4 million
Cyclone rehabilitation for schools	– \$170.0 million
Tertiary Education Loan Scheme	– \$96.4 million
Tertiary Education Loan Scheme – Accommodation Support	– \$62.8 million
Rural Electrification Project	– \$33.8 million
Tourism Fiji Marketing Grant	– \$33.1 million
National Toppers Loan Scheme	– \$32.3 million
Marketing Support to Fiji Airways	– \$18.0 million

Total purchase of physical non-current assets, including spending on capital construction and purchases, during 2015/2016 amounted to \$159.4 million. The spending is anticipated to decrease to \$104.0 million in 2016/2017 and increase to \$299.7 million in 2017/2018.

Net investing deficit of \$1,071.1 million was recorded during 2015/2016. Government has projected a net investing deficit of \$1,206.8 million and \$1,395.6 million for FY 2016/2017 and FY 2017/2018, respectively

2.5 Government Debt

The following table summarises total Government debt:

	Jul 2013	Jul 2014	Jul 2015	Jul 2016	Jul 2017 *
	\$m	\$m	\$m	\$m	\$m
Domestic debt	2,713.2	2,847.6	2,997.5	3,245.0	3,237.2
External debt	1,040.5	1,081.5	1,385.3	1,262.6	1,451.4
Total debt	3,753.7	3,929.1	4,382.8	4,507.6	4,688.6
<i>Debt as a % of GDP</i>	48.6 %	48.3%	49.2%	47.0%	42.7%
<i>Domestic/Total Debt Ratio</i>	72.3%	72.5%	68.4%	72.0%	69.0%
<i>External/Total Debt Ratio</i>	27.7%	27.5%	31.6%	28.0%	31.0%

Source: 2016/2017 Budget supplement

*These numbers do not seem to reconcile with the debt level projected for 2017/2018 per page 3.

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2.5.1 Domestic Debt Stock

Domestic debt comprises mainly of treasury bills and bonds. Treasury bills are short-term debt with maturities ranging from 14 days to 245 days whereas bonds are long-term securities with maturities ranging from three years to 15 years.

Total domestic debt in 2016 was equivalent to 33.8% of GDP. The Government indicated that stock of outstanding treasury bills are projected to drop from \$165.2 million in July 2016 to around \$70.9 million by end of July 2017. The significant decrease is attributed to sound cash-flow management and favorable revenue during this period. Whereas, bond issuances are expected to increase with bulk of the borrowings going towards infrastructure financing. The majority of the bonds in the domestic capital market are taken up by institutional investors such as banks, insurance companies and the Fiji National Provident Fund.

2.5.2 External Debt Stock

The external debt stood at \$1.3 billion, equivalent to 12.8 % of GDP at the end of 2016. This is projected to increase to \$1.4 billion by end of July 2017 due to an anticipated increase in drawdowns from the Emergency Recovery Loan Facility.

Global bonds comprised around 33 percent of the total external debt portfolio, bilateral loans constituted 46 percent and multilateral loans 21 percent as of July 2016. Majority of the external debt is denominated in US dollars (54 %) followed by the Chinese Yuan (44 %) and the Japanese Yen (2 %).

2.5.3 Contingent Liabilities

Government's explicit contingent liabilities stood at \$1.3 billion as of July 2016, equivalent to 12.8 % of GDP. This comprised of Government guarantees at \$787.4 million equivalent to 8.0% of GDP and other contingent liabilities at \$471.8 million.

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3 Tax Measures

Unless otherwise specified, excise tax, fiscal import duty and import excise duty changes are effective from 30 June 2017. All other tax changes will be effective from 1 August 2017.

3.1 Income Tax Policy Changes

Policy	Description
Personal income tax	<ul style="list-style-type: none"> Minimum income tax threshold will be increased from \$16,000 to \$30,000; income below \$30,000 will not be subject to income tax for resident individuals. Social Responsibility Tax (SRT) will be ring-fenced to exempt taxpayers from SRT on one-off/ad-hoc/unusual transactions, specifically: <ul style="list-style-type: none"> Gain from one-off sale of an asset including depreciable asset [example sale of rental properties (not in business), land (if not in the business of buying and selling land), disposal of inherited property]; and One-off lump sum payments (example redundancy, retiree/gratuity allowances and exit inducement payments). SRT has been restructured to reduce the percentage of tax paid at every income bracket by 10% (replaced by the Environmental and Climate Adaptation Levy (ECAL) of 10% – refer below). The new income tax and SRT for resident individuals are outlined in Appendix B.
Dividend regime	<ul style="list-style-type: none"> The dividend tax of 3% for resident shareholders and 9% for non-resident shareholders will be removed. Any avoidance or evasion scheme around payment or crediting of dividends will lead to a taxation offence punishable by fines or prosecution. A 1% transitional tax will be levied on pre-2014 balances as at 29 June 2017. There will be a 3 month window (until 30 September 2017) granted to complete the payment of this transitional tax.

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Policy	Description								
Fringe benefit tax (FBT)	<ul style="list-style-type: none">Health insurance benefits provided to local employees (Fiji citizens) will be exempt from FBT. This is intended to encourage employers to provide health insurance cover for their employees.								
Extension of tax incentives	<ul style="list-style-type: none">All Tax Free Regions (TFR), and Commercial Agriculture and Agro-processing incentives have been extended from 2018 to 2028.The bio-fuel incentives have been restructured as follows:<table border="1"><thead><tr><th><u>Level of investment (\$)</u></th><th><u>Tax holiday</u></th></tr></thead><tbody><tr><td>250,000 - 1,000,000</td><td>5 years</td></tr><tr><td>1,000,000 - 2,000,000</td><td>7 years</td></tr><tr><td>Above \$2,000,000</td><td>13 years</td></tr></tbody></table>Accelerated depreciation will only be available to buildings used for agriculture, information communications technology (ICT) and fisheries and forestry purposes. Accelerated depreciation will continue to be granted for new plant and machinery for manufacturing purposes, water storage facilities and renewable energy plant and machinery.Current accelerated depreciation available to buildings used for all other commercial and industrial purposes will cease from 1 January 2019. However, any taxpayer who qualifies for accelerated depreciation will continue to benefit from the same.	<u>Level of investment (\$)</u>	<u>Tax holiday</u>	250,000 - 1,000,000	5 years	1,000,000 - 2,000,000	7 years	Above \$2,000,000	13 years
<u>Level of investment (\$)</u>	<u>Tax holiday</u>								
250,000 - 1,000,000	5 years								
1,000,000 - 2,000,000	7 years								
Above \$2,000,000	13 years								
Government assisted projects	<ul style="list-style-type: none">All Cooperatives that receive assistance from Government for any project (e.g., localised hydro power stations) will be accorded income tax exemption for 5 years in line with existing renewable energy initiatives.								
Film-making and audio visual incentive	<ul style="list-style-type: none">Section 73 of the Income Tax (Film-Making and Audio Visual Incentive) Regulation 2016 will be amended to stipulate that the expenditure incurred for the payment of the Service Turnover Tax, Environment and Climate Adaptation Levy (ECAL), prize monies, penalties or fines and any payments for damages caused during production will not be accounted as the expenditure (Qualifying Fiji Production Expenditure) on a film.Section 75 of the Income Tax (Film-Making and Audio Visual Incentive) Regulation 2016 will be amended to stipulate that only the expenditure on those props that are reusable after the production of the film can be claimed as production expenditure.								

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Policy	Description
Export income deduction (EID)	<ul style="list-style-type: none">The EID rate will remain at 50%.EID can now be claimed by local suppliers of fish supplying fish to PAFCO for processing and export. This is limited to the extent of the value of fish finally exported evidenced by Customs documentation.
Residential housing development investment incentives	<ul style="list-style-type: none">Income Tax (Residential Housing Development Package) Regulations 2016 will be amended to provide clarification on a ceiling on the sale price of residential housing so that it is affordable to potential average Fijian home buyers.Incentives would be available to investors who partner with Government to provide affordable housing. The investor will build the housing units and Government may subsidise return on investment through rental payments up to a reasonable amount.
Electric vehicle charging stations	<ul style="list-style-type: none">The minimum investment to qualify for the Electric Vehicle Charging Station Incentive Package will be reduced from \$3 million to \$500,000. The subsidy structure will be amended to just a one-tier rate of 5% of the investment level.
Hotel investment incentives	<ul style="list-style-type: none">The Chief Executive Officer (CEO) of the Fiji Revenue and Customs Authority (FRCA) will now have the power to grant provisional approvals for standard allowance and Short Life Investments Package (SLIP) for hotels.
Anti-Avoidance Rule	<ul style="list-style-type: none">Section 102 of the Income Tax Act will be amended by removing the requirement for a "main" or "dominant" tax avoidance purpose. Section 102 will be invoked as long as one of the purposes of the scheme is "tax avoidance".
Recovery of PAYE short deductions	<ul style="list-style-type: none">The Income Tax (Withholding Tax) Regulations will be amended to stipulate that the recovery of the PAYE short deducted by employers will be the responsibility of the employers to make a one-off payment to FRCA.

3.2 Value Added Tax (VAT)

Policy	Description
Fishing industry	<ul style="list-style-type: none">The First Schedule of the VAT Act will be amended to include fish supplied to PAFCO to be Zero-Rated for VAT purposes.

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Policy	Description
New dwelling house	<ul style="list-style-type: none">Section 70(9) of the VAT Act will be amended to allow VAT refund on new dwelling house for the eligible person as long as the new dwelling house is the first residential property of the eligible person including subletting to support loan repayments. This will entitle the eligible person for maximum VAT refund claimable under the New Dwelling House VAT Refund Initiative. This is also targeted at increasing home ownership by Fijians.

3.3 Service Turnover Tax (STT) and Environmental Levy

Policy	Description
Environment and Climate Adaptation Levy (ECAL)	<ul style="list-style-type: none">Environment Levy to be renamed as the "Environment and Climate Adaptation Levy" (ECAL) and will directly fund environment protection programmes and climate adaptation projects.ECAL will be increased from 6% to 10%.A 10 cents per bag levy will be imposed on plastic bags at the point of sale. The levy supports Fiji's COP 23 Environment Protection Initiatives and will encourage shoppers to use their own re-usable carry bags. It will be applicable to all businesses but implemented on a phased approach beginning with all businesses with a Point of Sale System.ECAL will be applied to income earned above \$270,000; which will be incorporated into the SRT with the SRT rates adjusted downwards to maintain the current tax burden.ECAL will apply to purchase of luxury cars with engine sizes greater than 3000cc. The levy will not apply to any vehicle utilised for public transportation, including taxis.The current 12.5% Super Yacht Charter Fee will be replaced with the 10% ECAL.
Service Turnover Tax (STT)	<ul style="list-style-type: none">Reduced from 10% to 6%.

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Policy	Description
General	<ul style="list-style-type: none">▪ Laws will be amended whereby businesses charging STT and ECAL will be required to display to their customers the STT and ECAL inclusive prices for all their products and services.▪ Non-compliance to the price inclusive display will be punishable by a fine or prosecution or both.▪ The STT Act will be amended to avoid the double charging of STT.

3.4 Stamp Duty

Policy	Description
Transfers through love and affection	<ul style="list-style-type: none">▪ Stamp Duty Act will be amended to allow exemption from stamp duty payable on transfers under love and affection.
Airway bills	<ul style="list-style-type: none">▪ Section 64 of the Stamp Duty Act will be amended to clarify that airway bills are also an instrument subject to stamp duty.
Stamp duty exemption/refunds	<ul style="list-style-type: none">▪ The Stamp Duty Act will be amended to increase the limit on the CEO-FRCA's authority to exempt or refund stamp duties from \$10,000 to \$25,000.

3.5 Water Resource Tax

The threshold for Water Resource Tax has been increased from 3,500,000 litres per month to 9,999,999 litres per month as follows:

Extraction per month	Amount of Water Resource Tax
Up to 9,999,999 litres	1 cent per litre
10,000,000 litres and above	18 cents per litre

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3.6 Tax Administration Act (TAA) Changes

Policy	Description
Tax Agents Board process	<ul style="list-style-type: none">TAA will be amended to streamline the Tax Agents Board (TAB) process by shifting the chairmanship of the TAB from the Permanent Secretary of Economy to the CEO-FRCA. FRCA will also introduce a Code of Conduct for Tax Agents as well.
Search warrant	<ul style="list-style-type: none">TAA will be amended to include similar provisions as in Section 111 of the Customs Act to allow Tax Officers to execute search warrants.
Time bar for prosecution of tax offences	<ul style="list-style-type: none">Section 60(1) of the TAA will be amended to allow prosecution of an offence under a tax law to not be limited to 7 years from the commission of the offence. This will remove the time bar for prosecuting tax matters.
Tax and customs penalties	<ul style="list-style-type: none">The TAA and Customs Act penalty provisions will be amended to increase the fines and imprisonment penalties to a maximum of \$25,000 in fines (wherever it is below \$25,000) and maximum of 10 years imprisonment (wherever it is below 10 years).

3.7 Tax Amnesty

Policy	Description
Foreign assets and income	<ul style="list-style-type: none">The amnesty (no tax and no penalties) granted on the declaration of foreign assets and income has been renewed. The period will now be from 30 June 2017 to 31 December 2017.
General	<ul style="list-style-type: none">A general tax amnesty (no penalties) will be granted for the registration, lodgement and payment of tax obligations under all tax types. The amnesty will be applicable to all taxpayers with a gross turnover under \$1.5 million. The amnesty period will be from 30 June 2017 until 31 December 2017.

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3.8 FRCA Act Changes

Policy	Description
Conduct of employees	<ul style="list-style-type: none"> The FRCA Act to be amended to authorize the CEO to issue policies that sets out the conduct and discipline of employees.
Disclosure of information	<ul style="list-style-type: none"> The FRCA Act to be amended to include Fiji Commerce Commission (FCC) to the organizations/departments that FRCA can disclose detailed information to.
Name change	<ul style="list-style-type: none"> The name of the Fiji Revenue and Customs Authority (FRCA) will be changed to the Fiji Revenue and Customs Service effective 1 August 2017.

3.9 Financial Management Act

Policy	Description
Uncollectable tax debts	<ul style="list-style-type: none"> Section 24(2) and 36(1) of the Financial Management Act 2004 will be amended whereby the FRCA Board will be delegated the power to discontinue recovery for taxes that has been assessed as uncollectable after a due diligence process with a limit of up to \$500 and the age of debt should not be less than 5 years old.

3.10 Tertiary Scholarship and Loans Board

Policy	Description
1. Tertiary Scholarship & Loans Board (TELS)	<ul style="list-style-type: none"> The recovery of loans granted under TELS will now be undertaken by the FRCA.

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3.11 Customs and Excise Changes

Please click on the button below to go to **Appendix A** which contains details of the Customs and Excise change.

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4 Strategic Direction

4.1 Medium Term Fiscal Strategy

Government's fiscal policy will continue to focus on growing the productive capacity of the Fijian economy through sustained investments in infrastructure development, provision of social services and maintaining an enabling environment for the private sector to thrive and drive future growth.

Government will continue to maintain the following medium term macroeconomic targets:

- Annual economic growth rate above 5%;
- Total investment level above 25% of GDP;
- Managing inflation at around 3%;
- Maintaining foreign reserves to cover 4-5 months of imports and non-factor services;
- Budget deficits at less than 3% of GDP; and
- Reduce the debt stock to 40% of GDP.

The following table summarises Government's medium term fiscal targets:

Fiscal Targets	2017/2018 Budget (\$m)	2018/2019 Target (\$m)	2019/2020 Target (\$m)
Revenue:	3,857.3	3,542.3	3,721.4
– As a % of GDP	35.1%	30.5%	30.3%
Expenditure:	4,356.8	3,890.7	4,028.5
– As a % of GDP	39.7%	33.5%	32.8%
Net Deficit	(499.5)	(348.4)	(307.1)
– As a % of GDP	(4.5%)	(3.0%)	(2.5%)
Debt:	5,216.1	5,564.5	5,871.6
– As a % of GDP	47.5%	47.9%	47.8%
GDP at Market Prices	10,980.1	11,614.4	12,285.3

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4.1.1 Government Policies

Government's policies relating to revenue, expenditure and debt are summarised as follows.

Revenue

- Implementing a tax system that is simple, fair and transparent;
- Maintaining competitive tax rates and broadening the tax base;
- Modernising tax and customs legislation to provide more clarity in interpretation and application of tax provisions;
- Adopting best practices in revenue administration;
- Promoting tax compliance and timely payments of tax dues;
- Ensuring the benefits of duty concessions are passed on to consumers or targeted beneficiaries; and
- Providing tax incentives to attract investments that contribute towards the achievement of key policy priorities such as employment and poverty alleviation.

Expenditure

- Maintain national security, the rule of law and improve access to justice;
- Provide sufficient resources to facilitate free and fair elections in 2018;
- Ensure civil servants are adequately remunerated for performance, risk and technical expertise;
- Increase support for education and health to strengthen Fiji's human capital and create the foundation for a knowledge-based society;
- Ensure existing social protection programmes provide sufficient resources to protect the poor against inflationary pressures in the economy;
- Continue with the implementation of key infrastructure projects, particularly for roads, water and electricity;
- Support key policy initiatives to protect the environment and mitigate or adapt to the effects of climate change;
- Provide sufficient reserves for unforeseen events such as natural disasters, including funding for emergency response and recovery;
- Place greater emphasis on on-going reform initiatives to revitalise the sugar industry and ensure its long term survival;
- Support key initiatives to boost the performance of primary industries such as agriculture, fisheries and forestry, given their key contribution to poverty alleviation, rural development, food security and export growth;
- Accelerate key structural reforms in the public sector, including civil service reforms, public enterprise reforms and financial management reforms;
- Provide sufficient support for the development of micro, small and medium enterprises; and
- Promote programmes that facilitate private sector development and employment creation

Debt

- Reduce deficits gradually to achieve a progressive reduction in the Debt to GDP ratio;
- Create an efficient market for Government securities with the capacity to refinance maturing debt and raise new finance;
- Develop the domestic bond market to improve liquidity, promote secondary market trading and create new bonds with varying yields and maturity structures;
- Maintain low and stable debt servicing costs, bearing in mind risks associated with foreign exchange fluctuations;

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- Minimise external debt vulnerability by utilising callable options for early redemption of long term loans;
- Maintain a stable and affordable debt maturity structure to reduce the burden of resettlement and minimise exposure;
- Develop a vibrant domestic capital market with a diverse range of debt and equity instruments to be considered for future debt diversification;
- Seek opportunities to re-finance expensive debt under concessional loan facilities;
- Reduce reliance on offshore borrowings to lessen exposure to foreign exchange rate risks; and
- Prudent management of contingent liabilities and government guarantees by putting in place rigorous measures to improve the commercial performance of State Owned Enterprise (SOEs) and prevent risky borrowings.

4.1.2 Reform Programmes

Government has implemented a number of reform initiatives over the past few years. This includes the civil service reforms, public enterprise reforms, financial management reforms, sugar industry reforms, labour market reforms, land reforms and financial sector reforms.

Please click on the button below to go to **Appendix C** which contains details on these reforms.

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5 Budget Allocations

Please click on the icons for more details.



Department of Housing - \$34.6 million



Ministry of Education, Heritage and Arts - \$490.1 million, an increase of \$41.6 million from the revised estimate for 2016/2017.
Higher Education Institutions - \$106.5 million, an increase of \$13.20 million from the revised estimate for 2016/2017.



Ministry of Health - \$321.2 million, an increase from \$244.0 million provided in the revised estimate for 2016/2017.



Fiji Roads Authority (FRA) - \$527.5 million
Water Authority of Fiji - \$306.9 million
Department of Energy - \$53.7 million



Ministry of Agriculture's - \$86.3 million from \$82.2 million in the 2016/2017 revised estimate
Ministry of Sugar – \$60.0 million, an increase from \$27.5 million provided in the revised estimate for 2016/2017

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Ministry for Women, Children and Poverty Alleviation - \$113.4 million
Ministry of Youth and Sports - \$23.1 million



Fiji Police Force - \$148.8 million
Republic of Fiji Military Forces - \$96.7 million



Ministry of Industry, Trade and Tourism - \$108.4 million, compared to \$86.9 million in the 2016/2017 revised estimate



Ministry of Civil Service - \$69.0 million, an increase of \$23.3 million from the revised 2016/2017 estimate

Please click on the button below to go to **Appendix D** for full details of budget allocations and Government's other key initiatives.

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Fiscal Duty Changes

Policy	Description
1. Safety matches	<ul style="list-style-type: none">Reduction of fiscal duty from the specific rates of \$13.02, \$9.52 and \$2.33 per gross box to 32%.
2. Prefabricated buildings	<ul style="list-style-type: none">Increase fiscal duty from 5% to 32%.
3. Fabricated steel structures	<ul style="list-style-type: none">Reduction of fiscal duty from 32% to 5%
4. Insulated (electrical) cables	<ul style="list-style-type: none">Reduction of fiscal duty from 32% to 15%.The current practice of requiring a letter of confirmation from the local manufacturer will cease and FRCA will make the determination of facilitating concessions.
5. Vinyl sheet piling	<ul style="list-style-type: none">Reduction of fiscal duty from 32% to 0%.
6. Glues	<ul style="list-style-type: none">Reduction of fiscal duty from 15% to 5%.
7. Epoxies	<ul style="list-style-type: none">Reduction of fiscal duty from 15% to 5%.
8. Sealer and protective coatings	<ul style="list-style-type: none">Reduction of fiscal duty from 15% to 5%.
9. Cleaners and polishes	<ul style="list-style-type: none">Reduction of fiscal duty from 15% to 5%.
10. Microphones	<ul style="list-style-type: none">Reduction of fiscal duty from 15% to 5%.
11. Single and multiple speakers	<ul style="list-style-type: none">Reduction of fiscal duty from 15% to 5%.
12. Hailers	<ul style="list-style-type: none">Reduction of fiscal duty from 15% to 5%.
13. New parts for motor vehicles	<ul style="list-style-type: none">Reduction of fiscal duty from 15% to 5%.
14. New engines for motor vehicles	<ul style="list-style-type: none">Reduction of fiscal duty from 15% to 5%.
15. Energy bars	<ul style="list-style-type: none">Reduction of fiscal duty from 32% to 5%.

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16. Sardines	<ul style="list-style-type: none">Reduction of fiscal duty from 32% to 15%.
17. DVD raw materials	<ul style="list-style-type: none">Reduction of fiscal duty on Polycarbonate DVD imported in pairs (polycarbonated and dummy disc) from \$0.50 a pair to 15% on value. The value addition process still remains in place.
18. Steel and aluminium louvre frames	<ul style="list-style-type: none">Reduction of fiscal duty frames from 32% to 5%
19. Baby cots	<ul style="list-style-type: none">Reduction of fiscal duty from 32% to 5%.
20. Baby shoes	<ul style="list-style-type: none">Reduction of fiscal duty from 32% to 5%.
21. Baby wipes	<ul style="list-style-type: none">Reduction of fiscal duty from 32% to 0%.
22. Items imported for health promotion programs	<ul style="list-style-type: none">Duty free concession will be granted for items imported for all health promotion programs subject to approval by CEO-FRCA.
23. Concessionary duty regime for taxi operators	<ul style="list-style-type: none">0% fiscal duty on the importation of new hybrid vehicles for taxi purposes is available for taxi operators who have 3 or less taxis in their fleet.Half the subsisting specific rate of fiscal duty on the importation of used hybrid vehicles for taxi purposes is available for taxi operators who have only one taxi. This concession will be available for two years only.A reduced fiscal duty of 5% is available for importation of normal vehicles (nonhybrid) with an engine capacity less than 2500cc for taxi purposes.A reduced fiscal duty of 5% is available for importation of new normal vehicle (non-hybrid) with an engine capacity above 2500cc for taxi purposes.
24. Concessionary duty regime for bus operators	<ul style="list-style-type: none">0% fiscal duty on the importation of new buses is available for bus operators with an annual gross turnover of less than \$1.5 million based on the 2016 tax return. This is applicable to buses with seating capacity of 16 passengers or more. This duty concession is available for two years only.A reduced fiscal duty of 5% on the importation of used buses is available for bus operators who have an annual gross turnover of less than \$1.5 million based on the 2016 tax return. This is applicable to buses with seating capacity of 16 passengers or more. This concession is available for two years only.

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25. Gloves	<ul style="list-style-type: none">Reduction of fiscal duty from 32% to 5%.
26. Wetsuits	<ul style="list-style-type: none">Reduction of fiscal duty from 32% to 5%.
27. Neoprene boots	<ul style="list-style-type: none">Reduction of fiscal duty from 32% to 5%.
28. Inter-island shipping industry	<ul style="list-style-type: none">Duty free concessions on identifiable fixtures and components for the Inter-Island Shipping Industry (Concession Code 245).0% duty is available on import of all new inter-island passenger and cargo vessels.0% duty is available on import of all used inter-island passenger and cargo vessels. This incentive is available for 2 years only.
29. Aquaculture products	<ul style="list-style-type: none">Duty free concessions on items imported for the development of aquaculture/mariculture industry e.g. prawn, shrimp, seaweed farming, inshore fisheries etc.
30. TVET training activities.	<ul style="list-style-type: none">Duty and VAT free concession are made available on the importation of items directly related to teaching (teaching aids, educational and printed matter, prerecorded educational materials, computers for computer labs and multimedia equipment and any other teaching related goods) by TVET institutions which are currently receiving government grants.
31. Acetylene gas	<ul style="list-style-type: none">Duty protection will be given to local manufacturers by increasing fiscal duty on -<ul style="list-style-type: none">Acetylene Gas from 5% to \$5.90/kg or 32% whichever is greater.Raw material (Calcium Carbide) for manufacturers will also be available at 0% fiscal duty.
32. Goods imported for international sports tournaments	<ul style="list-style-type: none">There will be Duty free concessions on goods imported temporarily for international sports tournaments.
33. Aid funded projects	<ul style="list-style-type: none">Exemption of duties, taxes and levies will be granted for Aid funded projects where an Agreement/Memorandum of Understanding is entered into with the Fijian Government.
34. Donations to Government Ministries	<ul style="list-style-type: none">Whilst donations to government ministries are granted duty concessions, VAT component will be borne by the recipient ministry/agency.

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35. Goods imported for international meetings, incentives, conventions and exhibitions (MICE) held in Fiji.	<ul style="list-style-type: none">Duty free concessions will be available on goods imported for International Meetings, Incentives, Conventions and Exhibitions (MICE) held in Fiji.
36. National team uniforms	<ul style="list-style-type: none">Duty Concession Code 250 will be amended to expand the concessions available to include training, warm-up, playing and outdoor uniforms.
37. Concession Code 235	<ul style="list-style-type: none">Note 10, Part 3 of the Customs Tariff will be amended to allow disposal of goods imported under code 235 prior to the 5-year life-span. The duty concession on disposal of these items will be subject to approval by CEO - FRCA.
38. Towelling fabric	<ul style="list-style-type: none">Reduction of fiscal duty on towelling fabrics imported in rolls by the local manufacturer from 15% to 10%
39. Readymade towels	<ul style="list-style-type: none">Reduction of fiscal duty on towels from 32% to 15%.
40. Hybrid batteries and cells	<ul style="list-style-type: none">Reduction of fiscal duty from 32% to 5%.
41. Rock, gravel and aggregates	<ul style="list-style-type: none">Being natural resources for Fiji, a 5% Export Tax will be imposed on the export of rock, gravel and aggregates.

Import Excise Duty

Policy	Description
1. Microphones	<ul style="list-style-type: none">Reduction of import excise from 10% to 0%.
2. Single and multiple speakers	<ul style="list-style-type: none">Reduction of import excise from 10% to 0%.
3. Hailers	<ul style="list-style-type: none">Reduction of import excise from 10% to 0%.
4. Steel and aluminium louvre frames	<ul style="list-style-type: none">A 5% Import Excise will be imposed.

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5. Concessionary duty regime for taxi operators	<ul style="list-style-type: none">0% Import Excise on the importation of new hybrid vehicles for taxi purposes is available for importers who have 3 or less taxis in their fleet.0% Import Excise on the importation of used hybrid vehicles for taxi purposes is available for importers who have 3 or less taxis in their fleet. This concession will be available for two years only.0% import excise is available for importation of normal vehicles (non-hybrid) with an engine capacity less than 2500cc for taxi purposes.A reduced import excise of 5% will be imposed for importation of new normal vehicles (non-hybrid) with an engine capacity above 2500cc for taxi purposes.
6. Concessionary duty regime for bus operators	<ul style="list-style-type: none">0% import excise is available for importation of new buses for importers/ bus operators who have an annual gross turnover of less than \$1.5 million. This is applicable to buses with seating capacity of 16 passengers or more and available for two years only.0% import excise is available for importation of used buses for importers/ bus operators who have an annual gross turnover of less than \$1.5 million. This is applicable to buses with seating capacity of 16 passengers or more and available for two years only.

Local Excise Duty Changes

Policy	Description
1. Tobacco and alcohol	<ul style="list-style-type: none">Excise tax on cigarettes, tobacco and alcohol will be increased by 15% only as this rate was locked in for 3 years in the 2016/2017 Budget.
2. Sweetened and carbonated drinks	<ul style="list-style-type: none">Excise tax will be increased by 15% that is from 30 cents per litre to 35 cents per litre.

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New Local Excise Rates for Tobacco and Alcohol

Description	2016/2017 Rates	2017/2018 Rates
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or less	\$2.59/litre	\$2.98/litre
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or more	\$3.02/litre	\$3.47/litre
Potable Spirit Not Exceeding 57.12 GL	\$57.07/litre	\$65.63/litre
Potable Spirit Exceeding 57.12 GL	\$99.94/litre	\$114.93/litre
Wine: Still	\$4.03/litre	\$4.63/litre
Sparkling	\$4.59/litre	\$5.28/litre
Other fermented beverages: Still	\$4.03/litre	\$4.63/litre
Sparkling	\$4.59/litre	\$5.28/litre
Ready to Drink Mixtures of any Alcohol and non-alcoholic beverages of an alcoholic strength by volume of 11.49% or less	\$1.85/litre	\$2.13/litre
Cigarettes from local tobacco per 10 sticks	175.38 cents	201.69 cents
Cigarette from imported tobacco per 10 sticks	263.05 cents	302.51 cents
Manufactured tobacco containing tobacco grown outside Fiji	\$151.57/kg	\$174.31/kg
Manufactured tobacco containing tobacco grown in Fiji	\$89.04/kg	\$102.40/kg
Manufactured tobacco containing tobacco grown outside Fiji and tobacco grown in Fiji:		
• Tobacco grown outside Fiji	\$151.57/kg	\$174.31/kg
• Tobacco grown in Fiji	\$89.04/kg	\$102.40/kg

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Customs Legislation

Policy	Description
1. Statutory written-off Vehicles	<ul style="list-style-type: none">Schedule 1 of the Customs Prohibited Import and Export Regulations will be amended to prohibit importation of statutory written off vehicles.
2. Exemption from the conditions of age restrictions and Euro 4 standardization requirements for Quad Bikes (for agriculture purposes), All Terrain Vehicles (for agriculture purposes), Skidder (for forestry purposes) and Articulated Dumper Trucks (for mining purposes)	<ul style="list-style-type: none">Customs Prohibited Import and Export Regulations will be amended to exempt Quad Bikes, All Terrain Vehicles, Skidder and Articulated Dumper Trucks from the conditions of age restrictions and Euro 4 standardisation requirements.
3. Prohibit dangerous and offensive goods.	<ul style="list-style-type: none">Customs Prohibited Import and Export Regulations will be amended to absolutely prohibit importation of dangerous and offensive goods such as daggers, electronic shock sticks, flick knives, gravity knives, knuckle dusters, sword sticks, attache case capable of discharging shock of 30,000 volts and Taser Public Defender.
4. Cancellation of Single Administrative Document (SADs)	<ul style="list-style-type: none">The Customs Act will be amended to allow charging of a \$15 fee on the cancellation of SADs.
5. Drawback Amount	<ul style="list-style-type: none">Section 98(1) of the Customs Act will be amended to increase the minimum drawback amount from \$20 to \$50.
6. Proceedings under the Customs Act	<ul style="list-style-type: none">Amendments will be made to the Customs Act to shift the onus or burden of proof to the importer for proceedings under the Act.
7. Authority to examine cargo/people	<ul style="list-style-type: none">The Customs Act will be amended to include provisions to give FRCA the authority to examine cargo/people in the customs control areas using the customs dog, a chemical substance, x-ray or imaging equipment or any other mechanical, electrical or electronic device.
8. Business records	<ul style="list-style-type: none">Section 114A (2) of the Customs Act to be amended to increase the keeping of business records from 5 years to 7 years. This is in line with the Companies Act and Tax Administration Act.

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Policy	Description
9. High Bin Dump Trucks	<ul style="list-style-type: none">• Customs Prohibited Import and Export Regulation will be amended to prohibit the importation of high bin dump trucks with a gross vehicle weight (GVW) exceeding 20 tonnes.• Importation of trucks for the mining industry will now require an import licence and will be restricted to those who have a mining licence.• Those who have placed their orders prior to 29 June 2017 will be allowed to bring in trucks without a licence. Determination of date will be made from bill of lading. FRCA's standard processing conditions will apply on other situations.
10. Fish Levy	<ul style="list-style-type: none">• Customs Regulation 91 will be amended to clarify and include all vessels doing transshipment of fish to pay fish levy of \$450 per tonne except for mother vessels.
11. Time bar on prosecution of offences under the Customs Act	<ul style="list-style-type: none">• Removal of the limitations in provisions of Section 60(1) of the Tax Administration Act and Section 167(2) of the Customs Act which time bars prosecution proceedings.
12. Port Denarau	<ul style="list-style-type: none">• Port Denarau will be declared as a Port of Entry for yachts. This is to create of ease of doing for the growing yachting industry.

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Appendix B – Income Tax Rates (Resident Individuals)

Chargeable income (\$)	Income Tax payable	SRT	ECAL
0 – 30,000	Nil	Nil	Nil
30,000 – 50,000	18% of excess over \$30,000	Nil	Nil
50,001 - 270,000	\$3,600 + 20% off excess over \$50,000	Nil	Nil
270,001 – 300,000	\$47,600 + 20% of excess over \$270,000	13% of excess over \$270,000	10% of excess over \$270,000
300,001 – 350,000	\$53,600 + 20% of excess over \$300,000	\$3,900 + 14% of excess over \$300,000	
350,001 – 400,000	\$63,600 + 20% of excess over \$350,000	\$10,900 + 15% of excess over \$350,000	
400,001 – 450,000	\$73,600 + 20% of excess over \$400,000	\$18,400 + 16% of excess over \$400,000	
450,001 – 500,000	\$83,600 + 20% of excess over \$450,000	\$26,400 + 17% of excess over \$450,000	
500,001 – 1,000,000	\$93,600 + 20% of excess over \$500,000	\$34,900 + 18% of excess over \$500,000	
1,000,001 +	\$193,600 + 20% of excess over \$1,000,000	\$124,900 + 19% of excess over \$1,000,000	

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Civil Service Reforms

The Government announced that the Civil Service Reform Management Unit (CSRMU) had begun the implementation of several reform activities to embed modern management practices and principles across the Fijian Civil Service.

The Open Merit Recruitment and Selection (OMRS) Guideline was rolled out in 2016 with the aim to ensure that entry to the civil service at all levels is open, with selection based only on the requirements of the job and the applicant’s knowledge, experience, skills and abilities as they relate to the job. The review process is the appeal mechanism that allows applicants who believe that the selection process was not merit based to appeal for a paper based review.

The Discipline Guideline was introduced in January 2017 following extensive consultations with the World Bank in 2016 and introduces the international best practice with “positive management”. The CSRMU has engaged new Core Facilitators to provide training across the civil service on the new discipline guidelines.

The Civil Service Salary review was conducted in January 2017 by Strategic Pay New Zealand in partnership with PricewaterhouseCoopers Fiji. The review came up with 15 new salary bands, which replaced the old 31 occupational scales providing a broad banded approach covering all jobs in the Civil Service. Around 120 Job Evaluators from across the Civil Service were trained to use a new strategic methodology to determine where various jobs would sit within these bands. These accredited evaluators have been evaluating jobs across the civil service, and transitioning these into the new salary bands.

Pay increases for Civil Servants are calculated on the position and range from 3 percent to 79 percent depending on the position, and its existing salary compared to the market. Civil Service Jobs have been categorised into three tranches, with tranche one moving to the new salary bands in July, Tranche two in August and Tranche three in September.

Public Enterprise Reforms

The Government advised that key transformational reforms have been implemented for State entities such as Airports Fiji Limited, FEA and Fiji Ports Corporation Limited. These organisations have achieved strong financial performances and made significant dividend payments back to Government.

A review of the Public Enterprises Act 1996 is currently being carried-out by the Ministry of Public Enterprise with technical assistance from the Asian Development Bank (ADB). The review aims to align the provisions of the existing legislation with international best practices and standards, and strengthen the monitoring of state owned entities (SOEs) to achieve strategic policy goals, including the generation of reasonable equity returns.

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FEA's reform process has been enacted through the Electricity Act which was passed by Parliament in March 2017. Expressions of Interest for the partial divestment of FEA's shares was advertised in March 2015 and September 2016. This process will facilitate the deregulation of the energy sector in Fiji by separating FEA's commercial and regulatory functions where the latter will be transferred to an independent regulator.

Government advised that an Expression of Interest for the sale of the Government Printing & Stationery Department (GPSD) had been advertised and Government is currently negotiating the sale of the Department with potential investors. Government further announced that they were in the process of negotiating the sale of Food Processors Fiji Limited to potential buyers. The sale is expected to generate around \$5.0 million in revenue. Government will continue to market its properties at Kalabu Tax Free Zone to be sold to interested investors. The sale will complete the entire process for transferring KTFZ assets to the private sector.

Financial Management Reforms

The Ministry of Economy has reviewed the Financial Management Act 2004 (FMA) with the assistance of The Pacific Financial Technical Assistance Centre (PFTAC). The review entails the inclusion of relevant provisions in the FMA to facilitate the devolution of the financial and operational authorities to the Permanent Secretaries in line with the delegated provisions prescribed in the 2013 Constitution.

PFTAC is also working with Government in designing a new Chart of Accounts (CoA) structure to improve financial reporting and integrate all sources of Government financing into public financial statements. The new CoA structure will align financial reporting with the International Public Sector Accounting Standards (IPSAS) and Government Finance Statistics Manual 2014.

The Ministry will continue to work towards the establishment of a National Asset Register for the whole of the government which will focus on the registration and management of the assets.

Labour Reforms

The labour market reforms have been implemented in areas of OHS Reform, Employment Relations Reform, Productivity Reform, Wages Reform, Employment Creation Reform and the Operational Management Reform.

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The draft legislation the Workers Compensation Reform is completed for the tripartite consultation.

The Seasonal Worker Program saw an increase of 82% in recruitment from 2015 to mid-2017 including demand for skilled carpenters in New Zealand and horticulture and hospitality in Australia.

Fiji Volunteer Service - currently 52 Fijians (mostly senior teachers and nurses) are employed in Tuvalu and the Republic of the Marshall Islands.

Land Reforms

Government announced that it will continue to promote the productive utilisation of land through the Land Bank initiative which is legislated under the Land Use Act. The Land Use Act provides landowners with the opportunity to deposit their land in the Land Bank and benefit from market based lease payments.

To date, a total of 85 parcels of land have been deposited into the Land Bank covering a total area of 8,757 hectares (ha). Another 38 parcels of land is currently being processed for the Land Bank to comprise a total area of 11,016 ha, drawing investor interest.

Government has set aside funding of \$2.5 million in the 2017-2018 Budget to support the Land Bank Investment Programme.

Sugar Industry Reforms

Government announced that it will continue to implement the Sugarcane Industry Strategic Action Plan 2013 to 2022 to improve cane quality and output at farm level.

The Fiji Sugar Corporation (FSC) has launched also a Strategic Plan from 2018 to 2022 to focus on improving overall productivity within the industry and significantly increasing sugar cane production by 2022.

Government announced that in the 2017-2018 Budget it will provide funding of \$15.4 million to the Sugar Development Programme. The allocation caters for financial support to farmers with under-utilised land as well to those who lack financing for initial land preparation.

Government is allocating \$2.0 million for the Sugar Industry Support Programme to support new sugarcane farmers. The allocation will cover support for lease acquisition, land preparation and planting costs for the first 4 hectares of sugarcane. Further to this \$5.1 million is allocated to ensure that cane harvest from Rakiraki is transported to the Penang Mill at no cost to farmers.

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Government will continue to support improvement of cane access roads to allow for uninterrupted transportation of harvested cane to the mills. An allocation of \$6.0 million has been provided in the 2017-2018 Budget for this initiative.

Government has set aside \$15.4 million as subsidy for fertilizers in the 2017-2018 Budget. Around 40,000 metric tonnes of fertilizers will be sold to sugarcane farmers at the subsidised price of \$31.50 which is equivalent to 800,000 bags.

Other major allocations by the Government to support the sugar sector include: \$1.0 million for purchase of new machineries under the Sugarcane Farm Mechanism Programme, \$6.3 million for agro-inputs, \$1.0 million for the Sugarcane Rehabilitation Small Grant Scheme and \$4.0 million to settle outstanding loans taken by farmers for TC Winston rehabilitation.

Financial Sector Reforms

Pensions Savings Legislation: The drafting of the legislation commenced in 2012, which provide general powers to Reserve Bank of Fiji (RBF) to supervise the activities of new pension providers. The legislation allows new entrants (private sector participation) to the pension fund market in Fiji.

Review of the Credit Union Act: The review is to strengthen the existing legislation for credit unions. In June 2016 a first draft of the legislation was presented to industry stakeholders. The RBF is finalising the draft legislation to be presented in Parliament.

Inclusive Insurance Framework for Fiji: Due to TC Winston and many households not properly insured for damages to property and valuables, RBF has engaged to promote reasonably priced insurance plans for low and average income families.

Fair Reporting of Credit Act: The Act became effective on 27 May 2016. RBF is working with entities showing interest in providing 'Credit Bureau Services' for Fiji.

Financial Sector Development Plan: The Plan will continue until 2025 to strengthen the domestic financial sector and increase its contribution towards growth. Key elements of the Plan include capital market development, financial inclusion, and SME development.

Financial Inclusion: The Financial Inclusion Strategic Plan for Fiji for the five year period 2016-2020 has been finalised. The focus is on giving more Fijians access and usage of financial services and products and adopting innovative technology to deliver financial services and products in a cost effective and sustainable manner.

Capital Market Development: The Capital Market Development Master Plan from 2016 to 2025 maps out the development of Fiji's stock, debt, and unit trust markets. Also continue to create awareness on benefits of these markets to businesses and investors and promoting more innovation and diversity in Fiji's financial product.

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Draft National Payment System Act: The draft National Payments System Bill currently under review. This will provide the regulatory framework for integrated payment systems across all financial institutions in Fiji. This would improve the efficiency and security of inter-bank and other transactions linked to the national switch.

Small and Medium Enterprises (SME) Credit Guarantee Scheme: Since its inception in 2012, the scheme has grown to cover over 1,400 loans valued at around \$85 million. Loss ratio has been remarkably low at less than 1 percent or \$38,251. Government is committed to continuing its support by way of \$4 million government guarantee.

Import Substitution and Export Finance Facility: This facility will continue to provide funding at concessional interest rates to promote exports, import substitution and investment in renewable energy projects. As of April 2017, the facility had issued a total of \$89.2 million loans of which \$29.3 million has been repaid.

Exchange control: The table below shows the increases in the delegated limits of authorised foreign exchange dealers effective from 1 August 2017

	Payments	Current Limit	New Delegated Limit
1	Advance import payments	\$1 million per invoice	\$2 million per invoice
2	Subscriptions	\$10,000 per annum	\$20,000 per annum
3	Wages paid in foreign currency to foreign crew	\$500 per beneficiary	\$10,000 per beneficiary

Green Finance Framework: The development of the green finance framework is expected to commence this year. The immediate goal is to educate the financial institutions on green finance and how to leverage private sector finance for climate change and disaster risk management.

Anti-Money Laundering: The Government through the Financial Intelligence Unit is committed to addressing the gaps identified by the Asia Pacific Group to fully comply with the Anti-Money Laundering and Combating Terrorism Financing laws in Fiji.

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Poverty Alleviation, Social Empowerment and Rural Development

The poverty alleviation programmes, and key social empowerment initiatives of the Government are as follows:

Social Protection

Key initiatives	
Poverty Benefit Scheme	Increase in monthly household allowance from \$30 - \$110 per household to \$35 - \$127 per household. Each recipient will continue to receive the monthly food voucher of \$50. Budget allocation of \$38.1 million.
Social Pension Scheme	Provides a social safety net for elderly citizens who currently do not receive any form of Government assistance or pension support. An increase in monthly allowance from \$50 to \$100 and a reduction in the eligibility age from 66 years to 65 years. A sum of \$37.2 million has been allocated.
Food Voucher Programme for Rural Pregnant Mothers	Monthly allowance has been increased from \$30 to \$50 per recipient. Budget allocation of \$1.7 million.
Child Protection Allowance	Programme provides allowances for children from low-income families, single-parent families and prisoner dependents. An increase in monthly allowance from \$25 - \$60 per child to \$29 - \$69 per child. Budget allocation of \$6.8 million.
Fiji Juvenile Rehabilitation and Development Centre	Budget allocation of \$138,000 for the renovation and extension of the Centre.

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Women

Key initiatives

Women's Plan of Action (WPA)	Aims at the mainstreaming of women's interests across all sectors of the economy to promote gender equity and ensure women have equal access to opportunities to achieve their goals and aspirations in life. Budget allocation \$1.4 million.
Women's Institutions	A special grant of \$0.2 million to be provided to both the Makoi Vocational Centre and the Ba Women's Forum for skills training and workshops.
Domestic Violence Helpline	A sum of \$0.2 million to support the operations of the 24 hour Domestic Violence Helpline which will provide a platform for reporting domestic violence cases to relevant Authorities.

Support for Senior Citizens

Key initiatives

Procurement of Special Care Equipment	\$50,000 allocated for the procurement of lifting hoists, wheel chairs and hi-lo beds for state-run aged-care homes.
Renovation of State Homes for the Elderly	A sum of \$0.3 million towards the renovation of 3 state-run homes for the elderly.

Education

Key initiatives

Bus Fare Subsidy	Bus fare subsidy to assist students from low income households. The assistance will also cover students who travel by boat, carriers and other modes of public transport. Budget allocation of \$20 million.
Tertiary Education Loans Scheme (TELS)	Funding increased by \$116.6 million to \$159.1 million.
National Toppers Scholarship	Budget allocation increased by \$21.7 million to \$32.3 million.

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People Living with Disabilities

Key initiatives

Allowance for People Living with Disability	A new programme which provides a monthly allowance of \$90 to assist people living with permanent physical disability. Budget allocation of \$8.0 million.
Institution for the Psycho-socially Challenged	Budget allocation of \$25,000 for the initial design and scoping works for the construction of a new Centre for the 'psycho-socially challenged' in Fiji.
Fiji National Council for Disabled Persons (FNCDP)	A grant of \$1.2 million to support operations of FNCDP.
Organisations for Persons with Disability	A grant of \$1.1 million to be distributed to 7 Disabled Persons Organisations. A significant portion of this grant is earmarked for the construction of a new Centre for Disability in Lautoka.

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Housing

Key initiatives

Upgrade of Informal Settlements	A sum of \$2.8 million for on-going upgrading works at four squatter settlements.
City Wide Upgrade	A sum of \$0.4 million for the upgrading of squatter settlements in urban and peri-urban areas.
Upgrade of Town Wide Informal Settlements	A budget allocation of \$6.0 million to continue with construction works at Waidamudamu, Nadonumai, Wakanisila and Tauvegavega settlements.
Housing Assistance Relief Trust (HART)	A budget allocation of \$0.5 million.

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Development of Rural & Maritime Areas

Key initiatives	
Rural Electrification Project	A sum of \$33.8 million to cater for solar installations, house wiring and generator repairs. A sum of \$9.0 million is allocated for grid extension works in Keiyasi, Mali Island, Vorovoro Island, Labasa, Taveuni, Seaqaqa and Ba.
FEA Subsidy	The threshold for electricity subsidy for low income families will be raised from 95 kilowatts to 100 kilowatts. A sum of \$5.0 million is allocated to pay for the first 100 kilowatts consumed by households with a combined income of less than \$30,000 per annum.
Rural Housing Assistance	A sum of \$1.0 million is allocated to manage three schemes that provide rural communities and individuals with housing assistance.
Drainage and Flood Protection	A sum of \$7.0 million is allocated to carry out river dredging and construction of river bank boulders across the country by the new Ministry of Waterways.
Drainage Subsidy & Maintenance of Irrigation Schemes	A sum of \$3.0 million is allocated to subsidise drainage works in selected agricultural areas. An additional \$1.5 million is allocated to maintenance of existing irrigation schemes.
Government Stations	A sum of \$1.8 million allocated for the construction of three Government stations.
Rural Sports Complexes	A sum of \$2.1 million is allocated for the completion of the Vunisea Sports Complex in Kadavu and the Sawaieke Sports Complex in Gau and the preliminary works for the construction of a new Vunidawa Sports Complex in Naitasari.

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Priority Sectors

Education

Some of the budget allocations are as follows:

- Tuition Free Grant Programme or Free Education Programme - \$66.4 million
This is to cater for the tuition fees of students from Year 1 to Year 8 (\$35.0 million) and Year 9 to Year 13 (\$31.4 million).
- Tertiary Education Loan Scheme - \$159.1 million
The scheme is to support students in tertiary institutions and technical colleges. Students under the scheme are only required to repay their loans once they start earning income. The responsibility of collecting loan repayments has been assigned to the Fiji Revenue & Customs Authority.
- National Toppers Scheme - \$32.3 million
The scheme is for selected fields of study that will address Fiji's human resource needs and the scholarships will be provided to those tertiary students who meet the Scheme criteria.
- Other scholarships - \$4.6 million
Previous Scholarship Scheme (\$3.8 million), Overseas Scholarship Support (\$0.6 million) and Scholarships for Special Children (\$0.2 million).
- Vocational Grants Scheme - \$1.3 million
This is to cover tuition fees for students enrolled in 37 vocational centres. The Government advised that each student under the scheme will receive an annual tuition fee of \$610.
- Tuition Subsidy for Pre-Schools - \$2.1 million
This is to cater for the tuition fees for 866 registered pre-school centres. The subsidy provides \$150 for each student on an annual basis.

The Government has also budgeted \$5.5 million for the recruitment of 200 new teachers for non-government primary schools and 50 new teachers for secondary schools. The new teachers will be considered for permanent positions once they serve a one-year probation.

Location allowances for teachers in primary and secondary schools have been increased from \$8.4 million to \$10.2 million.

The Salary Grant for Early Childhood Education (ECE) Teachers has been revised with a new salary structure based on academic qualifications. The budget for the new salary structure is set at \$8.8 million.

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The Government advised that the free bus fare assistance scheme for primary, secondary and technical college students will continue in 2017-2018 with a total budget provision of \$20.0 million.

A sum of \$450,000 is allocated for the purchase of new boats and out-board motor engines to improve access to education for students that travel by boat to school. A total of 38 schools will be using the new boats.

Other major projects of the education sector include:

- Operating Grant to Higher Education Institutions (\$92.7 million)
- Construction of new workshops and purchases of specialised equipment at 9 Technical Colleges (\$2.2 million)
- Recruitment of teachers and procurement of special equipment for disabled teachers at special schools (\$1.4 millions)
- Library Scheme for Special Schools (\$0.1 million)
- Rehabilitation and reconstruction works for the school that were damaged by TC Winston (\$170.0 million)
- Building Grant to bolster the resilience of 10 schools that are highly vulnerable to landslide and floods (\$2.0 million)

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Health

Some of the programmes are as follows:

- Free Medicine Programme - \$10.0 million. The scheme provides a total of 172 different medicines to Fijian households that have a combined income of less than \$20,000.
- Purchases of Drug & Medical Equipment - \$42.0 million
- Recruitment of 350 new doctors recruitment - \$24.6 million
- Visiting overseas medical teams - \$0.5 million

The Government has allocated \$3.3 million for the outsourcing of cleaning and security services. The Government has budgeted \$2.3 million for the Charter of Aircraft for emergency evacuation services and \$1.3 million to cover the costs of Fijian patients being referred overseas for life threatening surgeries and medical services. The Public Health Services Unit in the Ministry of Health will receive an increased budget of \$8.0 million to boost its awareness programmes for NCDs, HIV & AIDS and mental health.

The Government further stated that the following has been included in the Budget:

- Rehabilitation works of health facilities (\$1.0 million)
- Refurbishment of CWM, Lautoka, Labasa, St. Giles and Twomey Hospital (\$3.9 million)
- Construction of a storm water drainage system at Navua Hospital (\$4.0 million)
- Completion of New Ba Hospital (\$6.0 million)
- Extension of the Maternity Unit at CWM (\$9.5 million)

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- Expand the service provided by Keyasi Health Centre and improve its status to a Sub-Division Hospital (\$7.5 million)
- Extension works for Rotuma Hospital (\$2 million)

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Infrastructure Development and Public Utilities

Roads, Bridges and Jetties

Major allocations under the Fiji Roads Authority (FRA) budget are as follows:

- Transport Infrastructure Investment Sector Project (\$85.2 million)
- Renewals and Replacements - Roads and Services (\$84.0 million)
- Maintenance Programme (\$80.0 million)
- Nadi and Suva Road Upgrading Project (NASRUP) Nadi 2 (\$55.0 million)
- Upgrading of Rural Roads Programme (\$60.0 million)
- Upgrading & Replacement of Bridges – Bridge Renewals (\$30.6 million)
- Storm Damages/Emergency Response Contingency Fund (\$21.7 million)
- Streetlight Improvement Programme (Street Lightening) (\$18.0 million)
- TC Winston - Rehabilitation of Roads, Bridges and Jetties (\$13.9 million)
- NASRUP – Suva 3 (\$13.2 million)
- Capital Community Programme (\$12.0 million)
- Jetties - Maintenance & Renewals (\$11.1 million)

Water and Sewerage

Allocations under the Water Authority of Fiji (WAF) budget are as follows:

- Water Distribution System Project (\$54.0 million)
- Urban Water Supply and Wastewater Management Project (\$30.6 million)
- Rural Water Supply Programme (\$27.3 million)
- Wastewater Treatment Plant (\$19.2 million)
- Improvement and Upgrade of Wastewater Distribution System (\$14.0 million)
- Integrated Meter Management (\$6.0 million)
- Electrical Upgrading Project (\$10.0 million)
- Non-Revenue Water Reduction Project (\$8.1 million)
- Distribution of Free Water Tanks in Maritime/Draught Stricken Areas (\$1.4 million)

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Energy

Major budget are as follows:

- Rural Electrification Project (\$33.8 million)
- Electricity Subsidy Scheme will still be applicable to households with combined annual income of less than \$30,000, however the threshold for the subsidy has been increased from 95 units per month to 100 units per month. A budget of \$5.0 million is set for additional units to be subsidised by the Scheme.
- Grid Extension Projects (\$9.1 million)
- Cyclone Rehabilitation for Solar Home Systems & Diesel Schemes (\$5.9 million)
- Renewable Energy Development Project (\$0.5 million)
- Investigation for Development of Geothermal Power in Fiji (\$0.4 million)
- Biogas Development in Rural Areas (\$0.2 million)

Waterways

The Government has established a new Ministry of Waterways to manage the maintenance of drainage systems and waterways in Fiji. A total sum of \$24.2 million is provided for this ministry of which \$19.2 million is capital related.

Key projects to be undertaken by the Ministry of Waterways are as follows:

- Nadi River Flood Rehabilitation Project (\$10.0 million)
- Drainage & Flood Protection (\$7.0 million)
- Drainage Subsidy (\$3.0 million)
- Purchase of Dredgers (\$3.0 million)
- Sugarcane Infield Drainage Scheme (\$2.0 million)
- Maintenance of Irrigation Schemes (\$1.5 million)
- Watershed Management (\$1.4 million)
- Maintenance of Drainage - Municipal Councils (\$1.3 million)

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Agriculture

The Government indicated that it is seeking to realise the untapped potential of the Agricultural Sector and increase its importance in enhancing food security, boosting economic growth and improving the livelihoods of rural communities.

The sugar sector contributes approximately 2.2% to Fiji's GDP. The Government announced that several reform initiatives are planned to revitalise the industry over the next 5 years. Some of these key programmes to improve the performance of the sugar sector are as follows:

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- Sugar Development Programme (\$15.4 million)
- Fertilizer Subsidy (\$15.4 million)
- Sugar Industry Support Programme (\$2.0 million)
- Cane Transfer Cartage Costs (\$5.1 million)
- Sugarcane Farm Mechanisation Programme (\$1.0 million)
- Maintenance of Cane Access Roads (\$6.0 million)
- Agro-inputs (\$6.3 million)
- Sugarcane Rehabilitation Small Grant Scheme (\$1.0 million)
- Settlement of outstanding loans taken out by farmers for TC Winston rehabilitation (\$4.0 million)

Other key programmes announced in respect of non-sugar agriculture comprises the following:

- Agriculture Marketing Authority (\$5.6 million)
- Infrastructure Development for Market Access Programme (\$1.0 million)
- Demand Driven Programmes: Rural & Outer Islands Programme (\$1.5 million), Export Promotion Programme (\$1.0 million) and Food Security Programme (\$1.0 million)
- Crop Extension Services (\$1.0 million)
- Livestock Extension Services (\$0.8 million)
- Agriculture Research (\$1.0 million)
- Land Clearing (\$1.5 million)
- Flatland Development (\$1.5 million)
- Farm Access Roads (\$2.5 million)
- Construction of a New Agronomy Lab (\$1.3 million)
- Purchase of Equipment for Chemistry Lab (\$0.4 million)

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Fisheries

The Government indicated that a National Fisheries Policy (NFP) is being developed for the sustainable management and development of the fisheries sector. The various programmes in this sector and their respective allocations are as follows:

- Pearl Oyster Research & Development Programme (\$0.3 million)
- Brackishwater Development Programme (\$0.4 million)
- Seaweed Development Programme (\$0.3 million)
- Makogai Mariculture Development Centre (\$0.3 million)
- Coastal Fisheries Development Programme (\$0.7 million)
- Aquaculture Development Programme (\$0.4 million)

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- Multi-Species Hatchery in Ra (\$0.4 million)
- Wainigadru Ice Plant (\$0.05 million)
- Wainibokasi Ice Plan (\$0.4 million)
- Cicia & Moala Ice Plants (\$1.7 million)

Forestry

Some of the key forestry projects outlined by Government in the budget are as follows:

- Purchase of 'value-adding machines' for Lakeba Pine Scheme (\$0.3 million)
- Purchase of harvesting machines (\$0.7 million)
- Restoration of degraded forests (\$0.5 million)
- Regeneration of indigenous forest species (\$0.3 million)
- Fiji – Reducing Emissions from Deforestation and Forest Degradation (REDD Plus) Programme (\$0.4 million)
- Sandalwood Development Programme (\$0.1 million)
- Narocake Pine Scheme (Gau) & Cicia Pine Scheme (\$0.3 million)
- Fiji Pine Trust Grant (\$0.6 million)
- Upgrade of Colo-i-Suva Forest Park (\$0.2 million)

Development Cooperation

The total value of official development assistance is expected to be \$190.6 million in 2017/2018, an increase of \$49.9 million from 2016/2017.

Aid-In-Kind

Government announced that the value of Aid-In-Kind (AIK) expected in 2017/2018 is \$155.0 million. The Economic Sector will receive the bulk of AIK support valued at \$51 million, of which \$22.2 million will be provided by the European Union to the Ministry of Sugar. In addition the EU will be contributing \$3.0 million to the Ministry of Agriculture for the Sustainable Rural Livelihood Project. The Australian Government will provide around \$15.3 million to the Ministry of Industry, Trade & Tourism. In addition, the Chinese Government will provide \$2.6 million to the Ministry of Agriculture for the 2nd Phase of the 'Juncao Technology Demonstration' project.

The General Administration Sector will receive around \$47.0 million worth of AIK. The bulk of this support will be towards scholarships sponsored by the Governments of Australia, New Zealand, Taiwan and JICA. In addition the Chinese Government will donate around 200 vehicles worth approximately \$16.7 million.

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The Social Services Sector will receive around \$42.3 million. The Infrastructure Sector will receive around \$14.7 million – this includes \$10.2 million from the Chinese Government for the on-going construction of the Stinson Parade Bridge and Vatuwaqa Bridge.

Cash Grant

Total cash grants for 2017/2018 is \$35.6 million. The General Administration Sector will receive the highest grant of around \$27.5 million with a large portion of this grant being provided by the EU for the continued rehabilitation of sugarcane farms and agricultural land affected by TC Winston.

The Infrastructure Sector will receive \$3.2 million. This includes a contribution of \$2.9 million from the Green Climate Funds towards the Urban Water Supply and Wastewater Management project. The Economic Sector will receive \$2.7 million and the Social Services Sector will receive around \$1.7 million.

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