2019-2020 Fiji National Budget Report

7 June 2019

pwc

A note from the Senior Partner, PwC

The 2019 – 2020 Fiji National Budget was delivered this evening by the Attorney-General and Minister for Economy, Civil Service and Communications, the Honourable Aiyaz Sayed-Khaiyum.

The Minister announced five pillars as the key areas of focus of this budget, namely Strengthening Law and Order, Protecting the Natural Environment, Empowering the Young, Spurring Technology and Innovation and Building Certainty in an Uncertain World.

The Minister spoke of this being the second phase of Fiji's economic progress and the budget being prepared on the basis of consistent application of Government policies. It recognises the slowdown in the global economy and the softening of domestic economic activity. Therefore fiscal consolidation is a key focus of the Government's medium-term fiscal strategy, whereby Government expenditure has been scaled back in the budget after the substantial reconstruction spending post Tropical Cyclone Winston and the successive natural disasters in 2018.

The Fijian economy is expected to grow by 2.7 percent in 2019 from 4.2 percent in 2018, with growth projected at 3.0% for 2020 and 2021. While there has been a notable reduction in Government expenditure for the current year as compared to budgeted amounts, there has been a corresponding reduction in revenue as well. Net deficit is estimated at 2.7 percent of GDP, while the debt to GDP ratio stands at 47.1 percent.

Specific initiatives have been directed towards:

- Environmental initiatives including phasing out of single use plastic bags and styrofoam containers, zero import duty on non-plastic food packaging and the introduction of a nationwide PET bottle deposit scheme;
- Youth programs – centralization and continuation of existing programs and introduction of new programs to empower the youth;
- Digital transformation in Government services through its digitalFiji initiative (including a digitalFiji app and options for e-services, such as online payment for certain Government services); and
- Review of certain legislation, including the Foreign Investment Act and the Financial Management Act.

Health, Education, Law and Order, Public Housing and Infrastructure continue to be priority areas for Government. Incentives have also been provided for specific industries, namely the Tourism sector, Warehousing and storage, Retirement Villages, Recycling waste management businesses and the Audio Visual sector.

Other specific incentives for businesses include the re-introduction of the Export Income Deduction incentive and full deduction for employer contributions to the Fiji National Provident Fund; and reinstating the carry forward of tax losses from 4 years to 8 years. There were no significant changes to the direct tax base and Value Added Tax and no excise tax increases on alcohol and tobacco. Environment and Climate Adaptation Levy is to be imposed on the importation of vehicles with engine capacities below 3,000cc and a list of white goods.

Further information and analysis of the various features and budget announcements are detailed in the following pages.

Nitin Gandhi
Senior Partner, PwC Fiji

At a Glance

Forecast

$349 million

budget deficit

892,067

visitor arrivals

2.7 %

growth

3.5%

Inflation Rate

$3.492 billion

Revenue

$5.979 billion

Government Debt

47.1 %

Debt to GDP Ratio

Re-introduction of Export Income Deduction Incentive

2.7%

of GDP

Net Deficit

Full deduction for employer contribution to Fiji National Provident Fund

Five Pillars Key Areas

- Strengthening Law and Order
- Protecting the Natural Environment
- Empowering the Young
- Spurring Technology and Innovation
- Building Certainty in an Uncertain World

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Spotlight on the Budget

1.1. Budget Estimates

	2018/2019 Budget $m	2018/2019 Revised $m	2019/2020 Budget $m	2020/2021 Target $m
Revenue	4,236.4	3,256.1	3,491.7	3,577.8
Expenditure	4,650.5	3,664.9	3,840.9	3,845.3
Net (Deficit)	**(414.1)**	**(408.8)**	**(349.2)**	**(267.5)**
Loan Redemption	(294.3)	N/A	(255.2)	N/A
Budget Gross (Deficit)	(708.4)	N/A	(604.4)	N/A

1.2. Economic Indicators

	2018/2019 Budget $m	2018/2019 Revised $m	2019/2020 Budget $m	2020/2021 Target $m
GDP at market prices	11,673.5	12,063.7	12,703.8	13,373.5
GDP at constant prices	7,317.4	10,967.4	11,282.7	11,618.3
Growth rate	3.2% (f)	3.3%	2.9%	3.0%
Debt	5,583.20	5,629.3	5,978.60	6,246.0
Debt as a % of GDP	47.8%	46.7%	47.1%	46.7%

Interest payments	332.2 (B)	332.2 ('r)	353.4 (B)	N/A
Interest payments - % of total operating expenditure	12.2% (B)	13.80%	13.94%	N/A
Revenue from sale of Government Assets	395.4 (B)	5 ('r)	80 (B)	N/A

	2017	2018	2019	2020	2021
Visitor arrivals	842,884 (p)	870,309 (p)	892,067 (f)	918,829 (f)	946,394 (f)
Inflation	2.8%	4.8% ('r)	2.1% (May)	3% (f)	3% (f)
Anticipated sugar export quantity - tonnes ('000s)	198.9 (p)	114.4 (p)	177.8 (f)	192.3 (f)	203.4 (f)

	2015	Jul-2016	Jul-2017	Jul-2018
Government Guarantees ($m)	824.5	787.4	562.2	586.7
Total Contingent Liabilities ($m)	867.8 (r)	1,259.2 (r)	1,019.80	1,119.60

Source: 2019-2020 Budget Supplement

Key:

f	Forecast	N/A	Data not available
r	Revised	B	Budgeted
p	Provisional		

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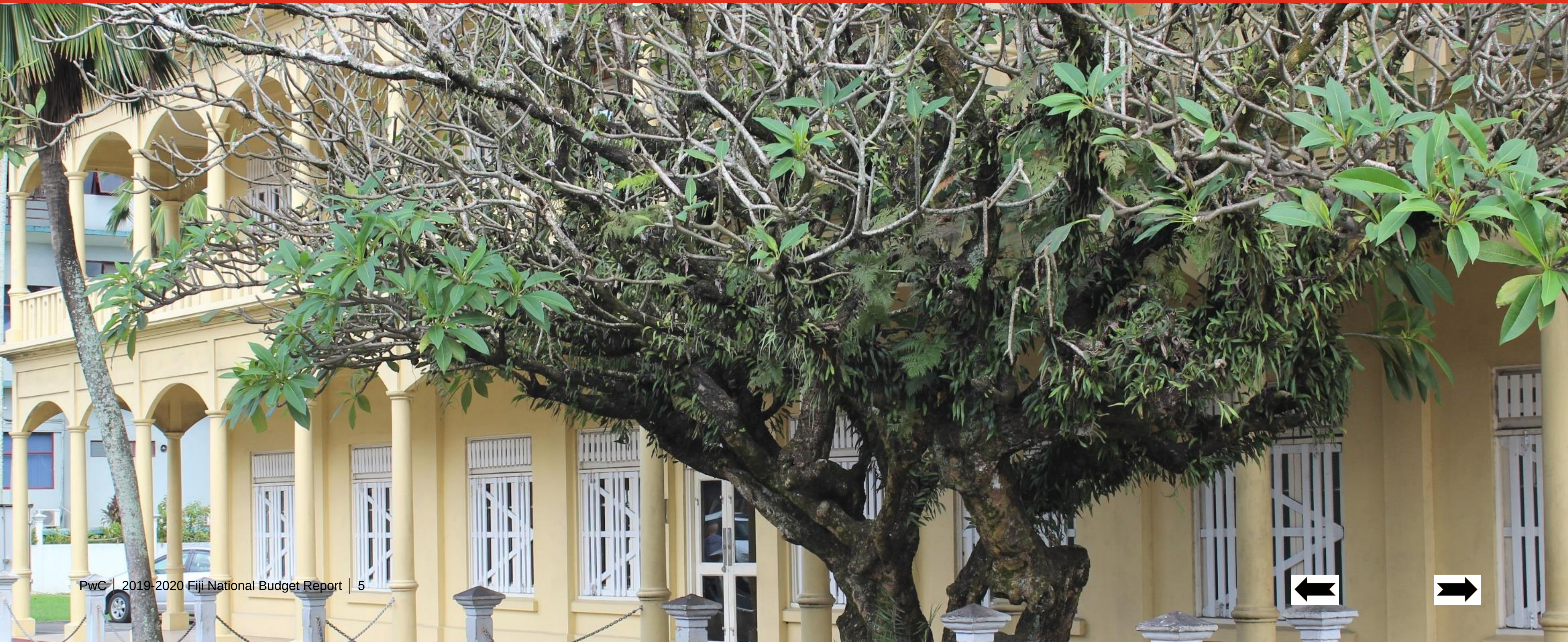
State of the Nation

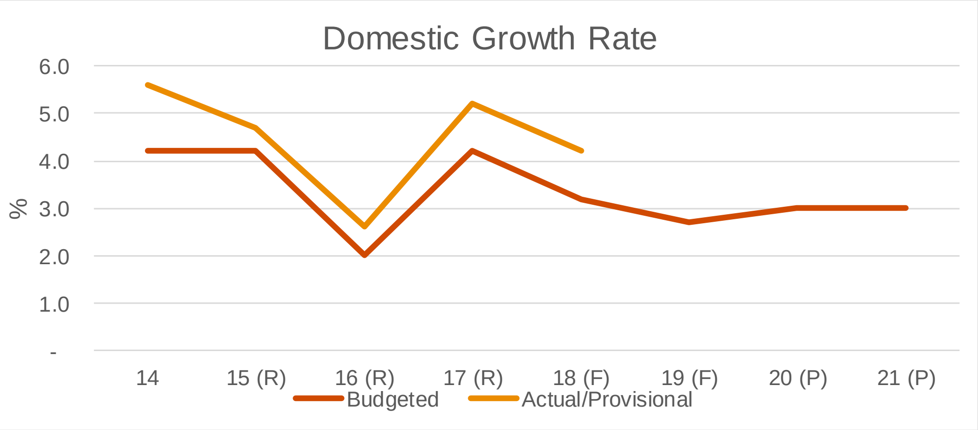
FINTEL Building, Suva



2.1. Economic Growth

2.1.1. Growth rate

With the revised base year of 2014, growth of 2.7% is anticipated for 2019 which is in line with the slowdown projected for the global economy. The Fijian economy is expected to grow by 3.0% in 2020 and 2021.



Source: 2019/2020 Budget Supplement

International Outlook

Growth in the global economy is expected to moderate to 3.3% in 2019, lower than the earlier forecast of 3.5% by the IMF.

Domestic Outlook

The domestic economy expanded by 4.5% during 2013 to 2018.

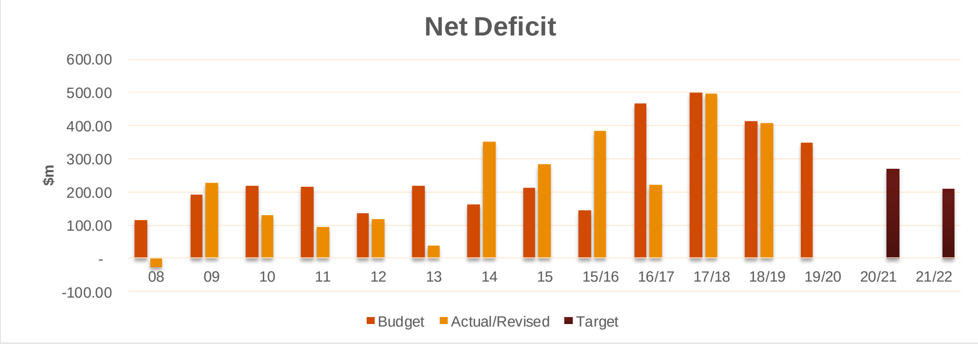
Overview 2019

Growth is expected in the agriculture, manufacturing, information & communication, accommodation & food services and the wholesale & retail trade sectors. The mining & quarrying sector is expected to decline due to lower gold production forecast for 2019. Activity in the wholesale & retail trade sector is expected to be moderate due to a slowdown in consumption spending while a decline is envisaged for the transport sector owing to a fall in air transport activity.

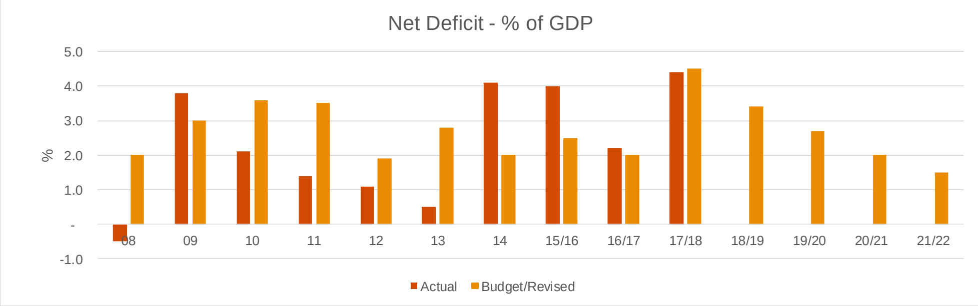
Overview 2020 and 2021

The economy is projected to have broad-based growths of 3.0 % in both 2020 and 2021 with major contributions expected from the agriculture, manufacturing, information & communication, wholesale & retail trade and the accommodation & food services sectors.

2.1.2. Budget Deficit



Source: 2019/2020 Budget Supplement



Source: 2019/2020 Budget Supplement

2017/2018 Actual Performance

Government recorded a net deficit of $497.7 million equivalent to 4.4% of GDP in 2017-2018. Total actual revenues amounted to $3,244.4 million with total expenditures at $3,742.2 million.

2018/2019 Revised Projection

Based on Government's financial performance to the end of April 2019, the net deficit for 2018-2019 is projected to be around $408.8 million, equivalent to 3.4% of GDP. This is derived from estimated total revenues of $3,256.1 million and total expenditures of $3,664.9 million.

2019/2020 Budget Estimates

Government has started consolidating its finances and thus expenditure has been set at $3,840.9 million. With this level of total expenditure and total revenue forecast at $3,491.7 million, the net deficit for 2019-2020 is budgeted at $349.2 million or 2.7 % of GDP.

2.1.3. Balance of payments

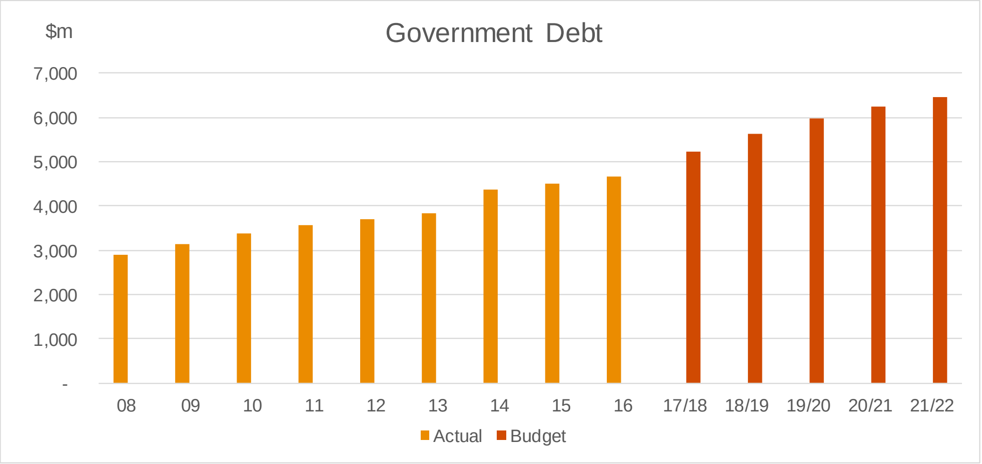
Fiji recorded a current account deficit of $986.9 million in 2018, equivalent to 8.4% of GDP. The deficit stemmed from a deterioration in the trade account and secondary income balance, which more than offset the improvements in services and primary income balances. The capital and financial account (excluding reserves) was $1,147.9 million.

The current account deficit (excluding aircraft) is expected to narrow slightly to $875.6 million in 2019. This is equivalent to 7.1% of GDP. The improvement results from a larger surplus in the services and secondary income accounts. The capital and financial account balance is projected to increase slightly to $1,151.1 million in 2019, equivalent to 9.3% of GDP.

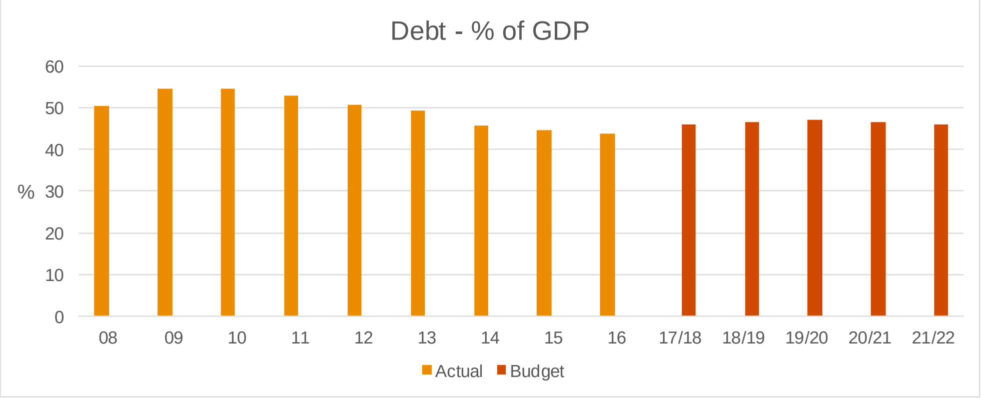
The current account deficit is projected to increase to $911.8 million or 7.0% of GDP and $1,043.0 million or 7.6% of GDP, respectively in 2020 and 2021. The capital and financial account balances are also expected to improve in both years.

2.1.4. Government debt

Government's total debt at the end of July 2018 stood at $5,220.5 million equivalent to 45.9% of GDP. With an estimated deficit of 3.4% of GDP for 2018-2019, the debt to GDP ratio is projected to be 46.7% at the end of July 2019. Debt is projected to be 47.1% of GDP at the end of July 2020.

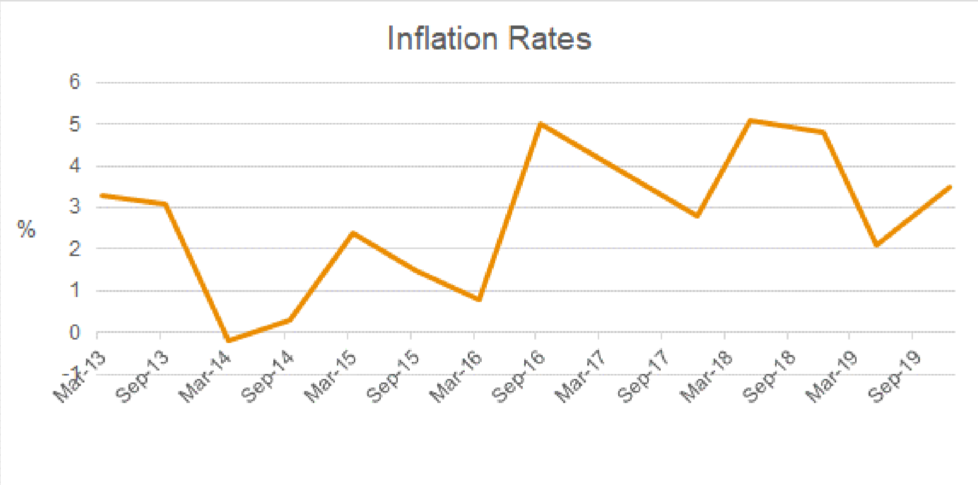


Source: 2019/2020 Budget Supplement



Source: 2019/2020 Budget Supplement

2.1.5. Inflation



Source: RBF Quarterly/ Economic Reviews and 2019/2020 Budget Supplement

As of May 2019, inflation stood at 2.1% significantly lower than 4.8% recorded at the end of 2018.

Higher prices in 2018 were mainly due to the effects of TC Josie, TC Keni and the series of floods in the Western & Northern Divisions in the early months of 2018.

Inflationary pressures for the remaining months of 2019 are expected to be driven by movements in the international commodity prices. The 2019 year end inflation is forecast to be around 3.5%. Inflation is projected to come down to around 3.0% in 2020 and 2021, barring any further supply-side shocks.

2.1.6. Exports and Imports

Total exports increased by 3.7% in 2018 to a total of $2,110.3 million. This was mainly contributed by the higher increase in re-exports and domestic exports of mineral water, cement, kava, garments and fish. Total imports grew by 14.6% to $5,652.2 million in 2018 led by increases in most categories of imports, with the exception of animal and vegetable oil & fats, miscellaneous manufactured goods and other commodities.

Total exports are expected to grow by 8.5% in 2019 to a total of $2,288.6 million. The growth is a result of growth in all export categories with the exception of gold. Domestic exports are mainly led by a rebound in sugar, as cane production is anticipated to be higher given the absence of natural disasters so far this year. Total imports are expected to grow by 2.1% to $5,770.5 million in 2019, with all categories of imports expected to contribute positively to the overall growth, except machinery & transport equipment. A lower forecast for mineral fuel is anticipated based on slightly lower oil prices relative to 2018.

In 2020 and 2021, exports are anticipated to expand by 5.1% and 4.4%, respectively, underpinned by increases in all categories of exports whereas total imports are projected to grow by 4.3% and 4.4%, respectively, led by growth in all categories of imports.

2.1.7. Monetary Policy

Monetary policy will continue to focus on supporting the domestic economy, safeguarding foreign reserves and maintaining low inflation. As of 4 June 2019, foreign reserve levels were around $1,928.8 million, providing 4.2 months coverage for retained imports of goods and non-factor services.

The Reserve Bank of Fiji (RBF) has continued to maintain the Overnight Policy Rate unchanged at 0.5%. Going forward, the RBF will continuously monitor international and domestic developments and align its policies accordingly to safeguard the twin objectives of monetary policy.

2.1.8. Interest Rates

Commercial banks' lending rates remained relatively low and stable due to strong competition amongst banks and adequate liquidity in the banking system. However, time deposit rates have increased due to the decline in liquidity levels compared to last year.

The weighted average outstanding lending rate for commercial banks was 5.8% in April 2019, higher than the 5.7% recorded in the corresponding period in 2018. In contrast, the weighted average outstanding time deposit rate rose to 3.7% from 3.3%, while the weighted average savings deposit rate fell substantially to 0.9% from 1.3% in the same period.

2.1.9. Exchange Rates

The Nominal Effective Exchange Rate (NEER) Index noted a marginal increase over the year (+0.7%) in April 2019, suggesting a general strengthening of the Fiji dollar against its major trading partner currencies.

The Real Effective Exchange Rate (REER) rose by 1.7% over the year, reflecting a rise in Fiji's domestic inflation rate relative to most trading partner countries. Moreover, the annual increase in the REER index suggests a loss in trade competitiveness.

2.2. Government Revenue

2.2.1. Direct taxes

Direct taxes make up 25.9% of the Government's operating revenue. In 2017/2018, total direct tax collection amounted to $826.8 million, while the projection for 2018/2019 is anticipated to decline to $768.5 million. Collection is forecasted to increase to $804.8 million in 2019/2020.

2.2.2. Indirect taxes

Total collections for 2017/2018 amounted to $1,967.3 million. The revised forecast is estimated to increase to $2,090.8 million in 2018/2019 and to $2,221.9 million in 2019/2020.

The key changes in indirect taxes include:

- The imposition of ECAL on motor vehicles and on white goods such as smart phone, air conditioner, freezer, television, washing machine, dryer, dishwasher, electric stove, microware, electric lawn mower, electric kettle, hair dryer and toaster.
- The plastic bag levy will increase from 20 cents to 50 cents per bag on low density polyethylene plastic bags effective from 1 January 2020.
- Increase in fiscal duty on passenger motor vehicles.

2.2.3. Other Government Revenue

The Government is expected to generate receipts of $23.4million in 2018/2019 and $94.7 million in 2019/2020 as investing receipts. Majority of the receipts relate to the sale of Government assets.

2.3. Government Expenditure

2.3.1. Operating Payments

The budget details indicate that personnel costs are expected to be the largest component of the Government's operating expenditure being 41.2% and 40.9% of Government's operating expenditure for 2018/2019 and 2019/2020 respectively. For 2019/2020, transfer payments follows at 28.9%, interest payments at 13.9%, supplies and consumables at 11.2%, special expenditures at 4.7% and other operating payments at 0.4%.

2.3.2. Personnel Costs

Wages and salaries expenditure during 2017/2018 amounted to $959.4 million, while the projection for 2018/2019 is $991.7 million. This is expected to increase to $1,038.4 million in 2019/2020.

2.3.3. Transfer Payments (Operating Grants)

Total operating transfers during 2017/2018 stood at $717.5 million. This is expected to increase to $726 million during 2018/2019 and $732.1 million in 2019/2020.

The major operating grants provided in the Budget include:

Water Authority of Fiji	- $ 89.0 million
Fiji National University	- $ 56.2 million
Fiji Revenue and Customs Service	- $ 55.2 million
Judiciary	- $ 54.4 million
Social Pension Scheme	- $ 46.0 million
Poverty Benefit Scheme	- $ 36.0 million
Free Education Year 1-8	- $ 33.6 million
University of the South Pacific	- $ 32.0 million
Free Education Year 9-13	- $ 30.1 million
Land Transport Authority	- $ 23.3 million
Bus Fare Assistance	- $ 20.0 million
Fiji Roads Authority	- $ 19.7 million
Grant to Fiji's Servicemen's After Care Fund	- $ 11.7 million
Legal Aid Commission	- $ 10.7 million
Parliament	- $ 10.2 million
Bus Fare Programme for Elderly/ Disabled persons	- $ 10.0 million
Tourism Fiji	- $ 8.9 million
Child Protection Allowance	- $ 8.0 million
Fiji Independent Commission Against Corruption	- $ 8.0 million

2.3.4. Supplies and Consumables

During 2017/2018, total expenditure on supplies and consumables amounted to $265.3 million. The allocation for 2018/2019 is $264.8 million and is expected to increase to $282.7 million in 2019/2020.

2.3.5. Special Expenditures

During 2017/2018, spending on special expenditures associated with unique programmes or projects amounted to $88.3 million. Projections for 2018/2019 and 2019/2020 are $88.9 million and $119.0 million, respectively. A major allocation for 2019/2020 includes Public Private Partnership for Health of $34.4 million.

2.3.6. Interest Payments

Total interest payments during 2017/2018 amounted to $289.6 million. For 2018/2019 the expected interest payment is $332.2 million whilst $353.4 million, is expected for 2019/2020.

2.4. Investing Activities

Investing revenue in 2017/2018 is at $15.2 million and is expected to increase slightly to $23.4 million in 2018/2019. Government has projected around $94.7 million from investing revenues during 2019/2020, mainly from the sale of government assets.

In 2017/2018, around $1,094.2 million was provided as capital grants and transfers, while the anticipated spending for 2018/2019 is expected to decrease to $850.9 million. For 2018/2019, Government has allocated $897.7 million for capital projects.

The allocations for major capital grants and transfers during 2019/2020 include:

Activity	($M)
Fiji Roads Authority	300.8
Water Authority of Fiji	156.2
Tertiary Loan Scheme – Tuition	87.6
Tertiary Loan Scheme – Accommodation	50.4
National Toppers Scholarship Scheme – Local Scholarship Scheme	38.8
Ongoing Rehabilitation and Construction of Schools and Public Buildings	35.0
Sugar Stabilisation Fund	30.0
Tourism Fiji Marketing Grant	29.8
Fertiliser Subsidy - FSC	15.6
FNU Capital Projects	15.0
Grant to Walesi	10.3
Grid Extension Programme – Energy Fiji Limited	9.2
Additional Survey for the Nadi Flood Alleviation Project	8.0
Committee on Better Utilisation of Land	6.9
Agriculture Marketing Authority	5.6

Total purchase of physical non-current assets, including spending on capital construction and purchases, during 2017/2018 amounted to $179.3 million. The spending is anticipated to increase to $225.5 million in 2018/2019 and decreased to $216.9 million in 2019/2020.

Net investing deficit of $497.7 million was recorded for 2017/2018. Government has projected a net investing deficit of $408.8 million and $349.2 million for 2018/2019 and 2019/2020, respectively.

2.5. Government Debt

The following table summarises total Government debt:

	Jul 2015 $m	Jul 2016 $m	Jul 2017 $m	Jul 2018 $m (R)	Projected Jul 2019 $m
Domestic debt	2,997.5	*3,245.0*	3,300.8	3,763.0	4,131.1
External debt	1,385.3	1,262.6	1,370.9	1,457.5	1,498.2
Total debt	**4,382.8**	**4,507.6**	**4,671.7**	**5,220.5**	**5,629.3**
Debt (as a % of GDP)	*45.8%*	*44.6%*	*43.9%*	*45.9%*	46.7%
Domestic/Total Debt %	*68.4%*	*72.0%*	*70.7%*	*72.1%*	*73.4%*
External/Total Debt %	*31.6%*	*28.0%*	*29.3%*	*27.9%*	*26.6%*

Source: 2019/2020 Budget supplement Ministry of Economy

2.5.1. Domestic Debt Stock

The domestic capital market remains the major source of borrowing for Government, with institutional investors like FNPF, insurance companies, commercial banks and other non-bank financial institutions playing an active role. Major debt instruments for the domestic market include Fiji Infrastructure Bonds (FIB), Fiji Green Bonds, Viti Bonds and Treasury Bills.

Total domestic debt in 2018 was equivalent to 33.1% of GDP.

According to Government, FIBs are used to finance major capital expenditure projects, while the $100 million Green Bond raised in 2017-2018 was solely used for environmental and climate change related expenditures. Viti Bonds, which are tailor made to attract retail investors, have encouraged participation of smaller investors in the domestic capital market and have also expanded the investor base. Short-term financing needs are managed through the issuance of treasury bills.

2.6. External Debt Stock

The external debt stood at $1.46 billion, equivalent to 12.8% of GDP as of July 2018 and is expected to be around similar levels by the end of July 2019. The table below summarises Government's external debt position from 2015 to 2019.

Particulars	Jul-15 $m	Jul-16 $m	Jul-17 $m	Jul-18 $m (R)	Projected Jul 2019 $m
Loans	849.6	846.9	968.6	1,037.2	1,068.5
Global Bonds	535.7	415.7	402.3	420.3	429.7
Total External Debt	**1,385.3**	**1,262.6**	**1,370.9**	**1,457.5**	**1,498.2**
External Debt to GDP (%)	**14.5**	**12.5**	**12.9**	**12.8**	**12.4**

Source: 2019/2020 Budget supplement Ministry of Economy

Global bonds comprised around 28.7% of the total external debt portfolio, bilateral loans constituted 34.4% and multilateral loans make up around 36.8%. Majority of the external debt is denominated in US dollars (65.5%) followed by the Chinese Yuan (33.6%), Japanese Yen (0.8%) and the Euro (0.2%).

2.7. Contingent Liabilities

Government's explicit contingent liabilities are around $1.1 billion as of July 2018, equivalent to 9.9% of GDP. This comprised of Government guarantees at $586.7 million equivalent to 5.2% of GDP and other contingent liabilities at $532.9 million.

3

Tax Measures

Sri Siva Subramaniya Temple, Nadi

Unless otherwise specified, excise tax, fiscal import duty, import excise duty and Environment Climate Adaptation Levy ("ECAL") changes are expected to be effective from 7 June 2019. All other tax changes are expected to be effective from 1 August 2019 unless stated otherwise.

3.1. Direct Tax Measures

Policy	Description
1. Export Income Deduction Incentive	• The Export Income Deduction will be re-introduced with retrospective effect from 2018 and maintained for 3 years. The Export Income Deduction will be allowed at the rate of 50%. • The incentive will expire in 2020.
2. Deduction for Employers Contribution to FNPF	• The deduction for employer's contribution to FNPF will be increased from 50% to 100% effective from 1 January 2020.
3. Incentive for Renovations of Buildings	• The threshold to qualify for the 25 percent investment allowance under the Income Tax (Renovation of Building Incentive) Regulations will be reduced from $1 million to $250,000. • The incentive will be extended to other buildings apart from those in towns and cities but will only be available to commercial buildings.
4. Film Making and Audio Visual Incentives	• The Income Tax (Audio Visual Incentives) Regulations 2016 will be amended with the following changes: - The film tax rebate will be increased from 47% to 75% and will be based on the expenditure incurred in Fiji and paid to Fiji Resident companies for goods and services. - The maximum rebate payable per approved final certificate will not be more than $15 million. • A 200% tax deduction will be available to companies investing in camera and other filming equipment for audio visual productions. • Income tax holiday will be available to companies who set up production facilities including equipment, cameras, editing and post production studios. - Income tax exemption for a period of 7 years will be available provided capital investment level is more than $2 million. - Import duty exemption on raw materials, plant, machinery and equipment (including spare parts) required for the establishment of the business.
5. Tax Exemption on Interest Earned on Government Securities and Government Guaranteed Securities	• Tax exemption on interest earned from Government, State-Owned Entities and Statutory Authorities financial instruments (bonds, treasury bills and promissory notes) by individuals and private entities excluding financial institutions.

<table>
<tr><th>Policy</th><th>Description</th></tr>
<tr><td>6. Residential Housing Development Incentive</td><td>

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.
The incentive will only be available with the following condition to a multi-storey development:
Each storey to have at least 15% of the units below the price ceiling of $300,000. This requirement only applies to the first 5 storeys of the development.
The incentive will also be available for a ground level multi-unit housing developments.
The following incentives will also be available:

Income tax exemption on developer profits for the entire project.
Import duty exemption on the importation of capital equipment, plant and machinery.
Subsidy on the proportion of capital investment incurred for the development of the housing units at the following rates:

Less than $100,000 – 7%
$100,000 to $200,000 – 5%
$200,001 to $300,000 – 3%

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<tr><td>7. Private Public Partnership (PPP) on Rental Housing</td><td>
Any private sector business investing in a multi-unit rental housing development will be granted an income tax holiday for the entire duration of the PPP Agreement with Government.
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<tr><td>8. Tax incentive for retirement villages and aged care facilities</td><td>

A new incentive package will be available to investments in Retirement Villages and Aged Care Facilities. The following incentives will be available:

Income tax exemption based on the following capital investment levels:
<table>
<tr><th>Capital investment</th><th>Tax holiday</th></tr>
<tr><td>$250,000 - $1,000,000</td><td>5 years</td></tr>
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<tr><td>More than $2,000,000</td><td>13 years</td></tr>
</table>
Import duty exemption on raw materials, plant, machinery and equipment (including spare parts) required for the establishment of the business.

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<table>
<tr><th>Policy</th><th>Description</th></tr>
<tr><td>9. Tax incentive for waste management at Naboro Tax Free Zone</td><td>

To promote safer and environmentally friendlier waste management initiatives, the following incentives will be granted to companies engaged in waste recycling business in Naboro:

- Income tax exemption based on the following capital investment levels:
<table>
<tr><th>Capital investment</th><th>Tax holiday</th></tr>
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<tr><td>$1,000,000 - $2,000,0000</td><td>7 years</td></tr>
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</table>
- Import duty exemption on raw materials, plant, machinery and equipment (including spare parts) required for the establishment of the business.
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<tr><td>10. Incentives for construction of warehouses or similar investments</td><td>

Government will be encouraging investment in the business of warehousing and storage facilities given the increasing business needs. Storage facilities require significant set up and operation costs. Therefore, a new incentive package is granted to companies investing in warehouses and storage facilities.
Incentive Package 1: Companies engaging in warehousing business.

- Income tax exemption based on the following capital investment levels:
<table>
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</table>
- Import duty exemption on raw materials, plant, machinery and equipment (including spare parts) required for the establishment of the business.

Incentive Package 2: Existing companies engaged in any business investing in warehouses.

- 50% investment allowance for capital investment more than $1 million.
- 100% investment allowance for capital investment more than $2 million.
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<tr><td>11. Loss Carried Forward</td><td>

The loss carried forward provision will be increased from 4 years to 8 years. This will only be applicable to losses incurred in financial year starting 1 January 2019 and onwards.

</td></tr>
<tr><td>12. ICT Incentives</td><td>

The ICT Incentive (13-year tax holiday) is available under the Income Tax (Exempt Income Incentives) Regulations 2016.
To promote investments in the ICT sector, the conditions of employing a minimum of 50 employees and exporting 60% of the services to qualify for the ICT incentive will be removed.
The annual licence fee of $1,000 will also be removed.

</td></tr>
</table>

<table>
<tr><th>Policy</th><th>Description</th></tr>
<tr><td>13. Incentive package for pharmaceutical manufacturing</td><td>

To promote investment in the pharmaceutical manufacturing sector, the following incentive will be granted to businesses investing in pharmaceutical manufacturing:

Income tax exemption based on the following capital investment levels:
<table>
<tr><th>Capital investment</th><th>Tax holiday</th></tr>
<tr><td>$250,000 - $1,000,000</td><td>5 years</td></tr>
<tr><td>$1,000,000 - $2,000,0000</td><td>7 years</td></tr>
<tr><td>More than $2,000,000</td><td>13 years</td></tr>
</table>

Import duty exemption on raw materials, plant, machinery and equipment (including spare parts) required for the establishment of the business.

This incentive will also be available to any existing business in the pharmaceutical manufacturing sector and the tax holiday will start from the date approval will be granted.

</td></tr>
<tr><td>14. Hotel Investment Incentives</td><td>The current duty exemption available under the Short Life Investment Package (“SLIP”) incentive on the importation of capital equipment, plant and machinery will be extended to include building materials, furnishings & fittings, equipment, room amenities, kitchen and dining room equipment & utensils, and specialised water sports equipment.</td></tr>
<tr><td>15. Pay day reporting summary for PAYE</td><td>To promote on-time lodgement, effective from 1st January 2020, every employer lodging monthly Electronic Monthly Summary (“EMS”) will be required to lodge pay day reporting summary for PAYE.</td></tr>
<tr><td>16. Tax deduction for donation to the Sports Fund.</td><td>The threshold to qualify for the 150% tax deduction available for donations to Sports Fund will be reduced from $50,000 to $15,000.</td></tr>
<tr><td>17. Income Tax Act 2015 – Section 67 (d): Exempt Capital Gains</td><td>Section 67(d) will be amended to exclude CGT exemption from gains made on disposal of shares other than disposal of share by companies listed in the South Pacific Stock Exchange.</td></tr>
<tr><td>18. Income Tax Act - Rates and Levies Regulations</td><td>The Rates and Levies Regulation will be amended to include redundancy in excess of $15,000 together with chargeable income and apply normal rate of income tax. This change will align the redundancy provision to the normal income tax bracket.</td></tr>
<tr><td>19. Collection of Provisional Tax Regulation</td><td>Collection of Provisional Tax Regulation has been amended to include penalty provisions for the offence of Withholding Electronic Provisional Tax (“EPT”) and not remitting to FRCS.</td></tr>
</table>

3.2. Value Added Tax (“VAT”)

Policy	Description
1. VAT exemption on importation of aircrafts and vessels.	• To assist the airline and shipping companies in Fiji, licensed under Civil Aviation Act 1976 and Maritime Transport Act 2013 respectively, the importation of aircraft and vessel will be exempted from Import VAT.

Policy	Description
2. Import VAT exemption for hybrid and electric ships	• Importation of hybrid and electric ships will be granted VAT exemption.
3. VAT Monitoring System ("VMS") support for SME's	• Entities with an annual turnover of less than $500,000 will be granted a free VMS application software, free smart card and free card reader by the Fiji Revenue and Customs Service.

3.3. Environment and Climate Adaptation Levy ("ECAL")

Policy	Description
1. Environmental and Climate Adaptation Levy on Motor Vehicles	• To curb the issues of traffic congestion, accidents, infrastructure damage and loss of time and productivity, a 10% ECAL will be imposed on motor vehicles.

ECAL Structure on Hybrid Vehicles

Cylinder Capacity	Description	ECAL
Less than 1,500 cc	New	10 %
	Used	10%
1,500 cc to 2,500 cc	New	10%
	Used	10%
2,500 cc to 3,000 cc	New	10%
	Used	10%
exceeding 3,000 cc	New	No additional ECAL (10% ECAL already in place)
	Used	No additional ECAL (10% ECAL already in place)

ECAL Structure on Non Hybrid Vehicles

Cylinder Capacity	Description	ECAL
Less than 1,000 cc	New	10%
	Used	10%
1,000 cc to 1,500 cc	New	10%
	Used	10%
1,500 cc to 2,500 cc	New	10%
	Used	10%
2,500 cc to 3,000 cc	New	10%
	Used	10%
Exceeding 3,000 cc	New	No additional ECAL (10% ECAL already in place)
	Used	No additional ECAL (10% ECAL already in place)

Policy	Description
2. Plastic Levy	• Plastic levy will be increased from 20 cents to 50 cents on Low Density Polyethylene (LDPE) plastic bags effective from 1 January 2020.
3. White Goods	• A 10% ECAL will be levied on the import of the following goods: - Smart Phone - Air Conditioner - Freezer/Refrigerator - Television - Washing Machine - Dryer - Dishwasher - Electric Stove - Microwave - Electric Lawn Mower - Electric jugs - Hair Dryer - Toaster

3.4. Tax Administration Act ("TAA")

Policy	Description
1. Section 2 of TAA	• Section 2 of TAA will be amended to include the definition of Trust and Trustee as in the Income Tax Act. • *A trustee is defined in the Income Tax Act as 'an executor of the deceased person's estate'. Hence, it is important to define in TAA as well for the purpose of recovery of deceased person's liability.*
2. Recovery of tax debt owed by deceased person	• Section 22 of TAA will be amended to cover all taxes as tax debt recoverable.
3. Section 33 of TAA - Refunds	• Section 33 of TAA will be amended to include forfeiture of refunds after 3 years. • Section 33(3) of TAA will be amended to remove the word "Fiji" as this will allow refunds to be made to taxpayers that do not have bank accounts in Fiji.

Policy	Description
4. TAA 34 (1) (b) - Record Keeping and Information collection - Accounts and records	• Amend Section 34(1)(b) to include additional provisions to take reasonable care of maintaining the accounts, documents, in the most appropriate manner (including electronic format) in a secure place, for a period of not less than 7 years after the end of the tax period to which they relate.
5. Section 49 of TAA and the Tax Administration (Infringement Notices) Regulations 2018	• Section 49 of TAA will be amended to include non-filing of other documents in addition to the tax returns similar to Section 43 of TAA. Other documents may include Electronic Monthly Summary (EMS) and Electronic Provisional Tax (EPT) Summary. Failure to file other documents also becomes an offence. • The Tax Administration (Infringement Notice) Regulations 2018 will be amended to include the amendment to Section 49 of TAA.
6. Section 70 of TAA - Lodging of Documents	• Section 70 of TAA will be extended to include lodging of documents electronically. Currently Section 70 of TAA specifies that matter of lodging of documents for tax purposes must be delivered by personal delivery, registered or normal post.
7. Section 72 of TAA- Service of notices.	• Section 72 of TAA will be amended to include service of notice through electronic means in addition to personal and postal service.
8. Lodgement/Payments Due Date	• Section 74 of TAA will be amended to state “last day of the month” to cater for online lodgements and payments.

3.5. Stamp Duties Act

Policy	Description
1. Stamp duty exemption on offshore borrowing	• Stamp duties levied on all offshore borrowings will be removed with the requirement that funds are brought into Fiji.
2. Definition of Small and Micro Enterprise (SME)	• The definition of a SME will be amended to address non-compliance. Businesses will no longer be regarded as SMEs if they are connected to larger entities.

3.6. Customs and Excise Changes

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

Appendix A

4

Strategic Direction

Sacred Heart Cathedral, Suva

4.1. Medium Term Fiscal Strategy

The Minister indicated that fiscal policy will focus on fiscal consolidation with the Budget strongly focusing on improving operational efficiency and the need to build fiscal buffers following the significant reconstruction spending on TC Winston and consecutive natural disasters in 2018. Fiscal deficits are expected to be further reduced, with a view to putting the debt to GDP ratio on a downward trajectory and enhancing long-term debt sustainability.

The planned fiscal consolidation is expected to support the balance of payments by reducing imports demand and reduce the current account deficit. The Government indicated that this is critical in the face of the global slowdown which is expected to affect our export demand, tourism activity and inflows of foreign exchange into the country. Safeguarding against the adverse developments in the external sector is important to ensure overall macroeconomic stability.

Government's medium-term fiscal strategy is to reduce the debt to GDP ratio to 45.9 percent by 2021-2022.

The Minister expressed that expenditure restraint is the key focus of this fiscal adjustment. Government intends to ensure that growth in nominal expenditures is limited and overall expenditure in real terms (adjusted for inflation) is constrained. Expenditure decisions are to be guided by the pursuit of high-impact investments, value for money, operational efficiency and containing any further expansion of the public sector wage bill. These will be balanced against the need to enhance inclusive socio-economic development.

The following medium term macroeconomic targets have been maintained:

- Economic growth of 4-5%;
- Total investment level 25% of GDP;
- Manage inflation at around 3% or below;
- Maintaining foreign reserves to cover 4-5 months of retained imports of goods and non-factor services;
- Maintain budget deficits at 3% of GDP; and
- Reduce debt stock to 40% of GDP in the medium term.

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

Fiscal Targets	2019-2020 Budget ($m)	2020-2021 Target ($m)	2021-2022 Target ($m)
Revenue:	3,491.7	3,577.8	3,749.9
As a % of GDP	27.5%	26.8%	26.6%
Tax revenue	3,080.2	3,250.6	3,422.0
Non-tax revenue	411.5	327.2	327.9
Expenditure:	3,840.9	3,845.3	3,961.1
As a % of GDP	30.2%	28.8%	28.1%
Net deficit	**(349.2)**	**(267.5)**	**(211.2)**
As a % of GDP	**(2.7%)**	**(2.0%)**	**(1.5%)**
Debt:	5,978.6	6,246.0	6,457.2
As a % of GDP	47.1%	46.7%	45.9%
GDP at market prices	**12,703.8**	**13,373.5**	**14,078.6**

4.1.1. Government Policies

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

Revenue

- Maintain consistency in tax policies with low and attractive tax rates.
- Ensure a simple, equitable and non-distortionary tax system and laws.
- Improve customer relationships and streamline taxation and customs administrative processes.
- Digitise taxation services to improve service delivery and at the same time ensure compliance through initiatives such as gradual implementation of electronic fiscal devices (VAT Monitoring System) across businesses.
- Review tax and customs incentives to entice private sector participation in areas, such as ICT development, housing, value addition, SME development, service industries and resource-based sectors.

- Implement policies to reduce environmental challenges and secure financing for climate adaptation and green projects.
- Strengthen capacity within the FRCS, Ministry of Economy and other regulatory agencies to monitor prices of items under duty concession and ensure benefits are passed on to consumers.
- Review Government fees, fines and charges on a cost recovery basis where feasible and appropriate.
- Adequately equip the FRCS with financial resources for effective tax collection.

Expenditure

- Ensure prudent utilisation of allocated resources to derive real value for money.
- Promote efficient management of operational spending such as wage bill, travel, telecommunication and other incidentals.
- Ensure adequate funding is directed towards infrastructure development to uplift the standard of roads, bridges and jetties and develop a standardised selection criteria for screening of all project proposals within predefined parameters, in line with the 5-Year and 20-Year National Development Plan.
- Maintain access to quality education.
- Modernise health and medical services through public private partnerships.
- Channel adequate financial resources towards provision of clean and safe water, electrification and expansion of sewerage services.
- Encourage home ownership through affordable housing and strata titles.
- Ensure a well-targeted and effective social protection system for the elderly, disabled and financially disadvantaged.
- Provide adequate resources for disaster rehabilitation, climate change adaptation and mitigation.
- Continue to digitise Government services to improve ease of doing business and access to public services.
- Incentivise investments in emerging sectors such as ICT that supports value addition and job creation.
- Effectively monitor implementation of projects through the Ministry of Economy.

Debt

- Prudently manage fiscal deficits to reduce debt to below 45 percent of GDP in the medium term.
- Prioritise the domestic capital market for financing annual deficits to prevent risks associated with offshore borrowings and develop the domestic market.
- Maintain an optimal cost and maturity structure for the debt portfolio.
- Actively explore opportunities to refinance expensive debt with lower-cost financing facilities, including the refinancing of the Global Bond due in 2020.
- Manage foreign debt repayments to minimise risks associated with exchange rate fluctuations.
- Promote growth in the domestic bond market by encouraging secondary market trading, diversification and settlement mechanism as well as focusing more on liquidity and transparency.
- Improve management of Government's arrears of revenue.
- Prudently manage risks associated with on-lending and contingent liabilities.

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, labour reforms, land reforms and financial sector reforms.

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

Appendix B

5

Budget Allocations

Grand Pacific Hotel, Suva

Please click on the icons for more details.

Ministry of Housing and Community Development - $17.2 million, a decrease of $24.22 million from the 2018/2019 revised estimate.

Ministry of Education, Heritage and Arts - $467.7 million, a decrease of $67.67 million from the 2018/2019 revised estimate
Higher Education Institutions - $181.8 million, an increase of $58.01 million from the revised estimate for 2018/2019

Ministry of Health and Medical Services - $349.8 million, an increase of $14.84 million over the 2018/2019 revised estimate.

Ministry of Agriculture - $78.7 million, an decrease of $18.14 million over the 2018/2019 revised estimate
Ministry of Sugar Industry –$70.4 million, an increase of $8.07 million over the 2018/2019 revised estimate

Fiji Roads Authority (“FRA”) - $419.4 million, a decrease of $143.66 million from the 2018/2019 estimate.
Water Authority of Fiji - $258.7 million, a decrease of $90.56 million from the 2018/2019 estimate. Ministry of Infrastructure and transport - $89.6 million, a decrease of $75.63 million from the 2018/2019 estimate.
Ministry of Waterways and Environment - $33.9 million, a decrease of $36.06 million from the 2018/2019 estimate.

Ministry for Women, Children and Poverty Alleviation - $127.7 million, a decrease of $5.3 million from the revised 2018/2019 estimate.

Ministry of Youth and Sports - $19.9 million.

Fiji Police Force - $177.8 million, a decrease of $15.71 million from the revised 2018/2019 estimate.

Republic of Fiji Military Forces - $95.9 million, a slight decrease from the $103.25 million allocation in the 2018/2019 estimate.

Ministry of Industry, Trade and Tourism - $67.1 million, a decrease of $32.16 million from the revised 2018/2019 estimate.

Ministry of Civil Service - $3 million, a decrease of $48.99 million from the revised 2018/2019 estimate.

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

Appendix C

Appendices

Fiji Visitors Bureau Building, Suva

Appendix A: Customs and Excise Import Changes

1. Customs Tariff Act – Fiscal Duty Changes

<table>
<tr><th>Policy</th><th>Description</th></tr>
<tr><td>1. Increase fiscal duty on passenger motor vehicles</td><td>
To curb the issues of traffic congestion, road accidents and loss of time and productivity, import duty on passenger motor vehicles will be increased with the following new rates.
<u>Tariff Structure on Hybrid Vehicles</u>
<table>
<tr><th>Cylinder Capacity</th><th>Type</th><th>Current Fiscal Duty</th><th>New Duty Rates</th></tr>
<tr><td rowspan="2">Less than 1,500 cc</td><td>New</td><td>Free</td><td>Free</td></tr>
<tr><td>Used</td><td>$2,000 per unit</td><td>$4,000 per unit</td></tr>
<tr><td rowspan="2">1,500 cc to 2,500 cc</td><td>New</td><td>Free</td><td>Free</td></tr>
<tr><td>Used</td><td>$2,500 per unit</td><td>$5,000 per unit</td></tr>
<tr><td rowspan="2">2,500 cc to 3,000 cc</td><td>New</td><td>Free</td><td>Free</td></tr>
<tr><td>Used</td><td>$3,000 per unit</td><td>$6,000 per unit</td></tr>
<tr><td rowspan="2">Exceeding 3,000 cc</td><td>New</td><td>Free</td><td>Free</td></tr>
<tr><td>Used</td><td>$6,500 per unit</td><td>$13,000 per unit</td></tr>
</table>
<u>Tariff Structure on Non-Hybrid Vehicles</u>
<table>
<tr><th>Cylinder Capacity</th><th>Type</th><th>Current Fiscal Duty</th><th>New Specific Duty</th></tr>
<tr><td rowspan="2">Less than 1,000 cc</td><td>New</td><td>5%</td><td>15%</td></tr>
<tr><td>Used</td><td>32% or $3,550 per unit</td><td>32% or $7,000 per unit</td></tr>
<tr><td rowspan="2">1,000 cc to 1,500 cc</td><td>New</td><td>5%</td><td>15%</td></tr>
<tr><td>Used</td><td>32% or $7,500 per unit</td><td>32% or $11,500 per unit</td></tr>
<tr><td rowspan="2">1,500 cc to 2,500 cc</td><td>New</td><td>5%</td><td>15%</td></tr>
<tr><td>Used</td><td>32% or $11,500 per unit</td><td>32% or $16,000 per unit</td></tr>
<tr><td rowspan="2">2,500 cc to 3,000 cc</td><td>New</td><td>32%</td><td>32%</td></tr>
<tr><td>Used</td><td>32% or $18,000 per unit</td><td>32% or $23,000 per unit</td></tr>
<tr><td rowspan="2">Exceeding 3,000 cc</td><td>New</td><td>32%</td><td>32%</td></tr>
<tr><td>Used</td><td>32% or $23,000 per unit</td><td>32% or $28,500 per unit</td></tr>
</table>
</td></tr>
<tr><td>2. Concessionary duty incentive for Public Transportation</td><td>
This incentive will be extended for another 2 years (until 30 June 2023). The concessionary duty regime includes taxis, buses and inter-island shipping.
</td></tr>
</table>

<table>
<tr><th>Policy</th><th>Description</th></tr>
<tr><td>3. Fiscal duty on buses</td><td>Fiscal duty on new buses (not less than 16 seats) will be reduced to 0%.
Fiscal duty on used buses (not less than 16 seats) will be reduced to 5%. This concession will only be available for 2 years.</td></tr>
<tr><td>4. New readymade clothing for children</td><td>Fiscal duty on new readymade clothing for children will be reduced from 32% to 5%. The reduced rate will be based on global sizes in children’s category.</td></tr>
<tr><td>5. Reduction in fiscal duty on vehicles used for transporting of goods/ trucks stipulated under Heading 8704 of the Customs Tariff</td><td>To assist businesses in the agriculture and wholesale & retail sector, fiscal duty on trucks primarily used for the transport and delivery of goods has been reduced.
All new vehicles under Heading 8704 of the Customs Tariff which currently attracts a fiscal duty rate of 15% will be reduced to 5%. This will exclude dual purpose (twin cab) vehicles.
All used vehicles under Heading 8704 of the Customs Tariff which currently attracts a fiscal duty rate of 32% will be reduced to 15%. The specific rates of duty will be reduced by 50%. This will exclude dual purpose (twin cab) vehicles.
The age limit requirement on used vehicles under Heading 8704 for transport of goods will be removed provided the vehicles are Euro 4 compliant.</td></tr>
<tr><td>6. Reduction of import duty on heavy machinery under Chapter 84 of the Customs Tariff</td><td>Given the increased civil and road construction work, import duty on heavy machinery is reduced by 5%.
Items under Chapter 84 amongst other items include ship derricks and cranes, forklift trucks, work trucks, bulldozers graders, levellers, excavators, shovel loaders, road rollers and scrapers. The details are provided below:
<table>
<tr><th>Type</th><th>Current Fiscal Duty</th><th>Current Import Excise</th><th>New Fiscal Duty</th><th>New Import Excise</th></tr>
<tr><td>New</td><td>5%</td><td>5%</td><td>5%</td><td>Free</td></tr>
<tr><td>Used</td><td>15%</td><td>Free</td><td>5%</td><td>5%</td></tr>
</table></td></tr>
<tr><td>7. Reduction in fiscal duty on special purpose vehicles</td><td>Fiscal duty on new special purpose vehicles will be reduced from 5% to 0%.
Fiscal duty on used special purpose vehicles will be reduced from 32% and $6,057 per unit whichever is the greater to 5% per unit and import excise will increase to 5%.
Examples of special purpose vehicles include crane lorries, firefighting vehicles, concrete mixer lorries, road sweeper lorries, spraying lorries, mobile workshops and mobile radiological units.</td></tr>
<tr><td>8. Ethanol for pharmaceutical manufacturing industries</td><td>Fiscal Duty on the importation of ethanol by manufacturers of pharmaceutical supplies will be reduced to 0%.</td></tr>
<tr><td>9. Biodegradable kitchenware and tableware</td><td>Fiscal duty on biodegradable kitchenware and tableware will be reduced from 32% to 0%.</td></tr>
</table>

Policy	Description
10. Duty concession for the hotel industry	• For all hotels, fiscal duty on the importation of capital equipment, plant, machinery, building materials, furnishings and fittings, equipment, room amenities, kitchen and dining room equipment and utensils, specialised water sports equipment will be reduced to 5% for all items having a fiscal duty of 5% and above and for all items having fiscal duty of 5% will be reduced to 3%.
11. Biodegradable and environmentally friendly cleaning chemicals and detergents	• Fiscal duty on biodegradable and environmentally friendly cleaning chemicals and detergents will be reduced from 32% to 0%.
12. Wheeled Trolleys	• Fiscal duty on wheeled trolleys will be reduced from 15% to 5%.
13. Bicycle and motor cycle tyres	• Fiscal duty on bicycle and motor cycle tyres will be reduced from 5% to 0%.
14. Steel pipes, galvanized pipes, stainless steel pipes and rectangular tubing	• Fiscal duty on steel pipes, galvanized pipes, stainless steel pipes and rectangular tubing not manufactured in Fiji will be granted a concessionary duty rate of 5%.
15. Cane Knives	• Fiscal duty on cane knives will be reduced from 5% to 0%.
16. Batteries for laptop, tablets, cellular mobile phone and power banks	• Fiscal duty on batteries for laptop, tablets, cellular mobile phone and power banks will be reduced from 32% to 5%.
17. Wind Ventilators	• Fiscal duty on wind ventilators will be reduced from 15% to 0%.
18. Non-Woven Plastic Bags	• Fiscal duty on non-woven plastic bags will be increased from 15% to 32%.
19. Soap Noodles	• Fiscal duty on soap noodles will be reduced to 0%.

2. Import Excise Duty

<table>
<tr><th>Policy</th><th>Description</th></tr>
<tr><td>1. Import Excise and ECAL on Non-Hybrid Motor Vehicles</td><td>

- The Import Excise rate will be reduced from 15% to 5% and a 10% ECAL will be introduced on non-hybrid vehicles. The tax burden will remain the same. The new Import Excise and ECAL rates will be restructured as follows:

<table>
<tr><th>Cylinder Capacity</th><th>Type</th><th>Import Excise</th><th>ECAL</th></tr>
<tr><td rowspan="2">Less than 1,000 cc</td><td>New</td><td>5%</td><td>10%</td></tr>
<tr><td>Used</td><td>5%</td><td>10%</td></tr>
<tr><td rowspan="2">1,000 cc to 1,500 cc</td><td>New</td><td>5%</td><td>10%</td></tr>
<tr><td>Used</td><td>5%</td><td>10%</td></tr>
<tr><td rowspan="2">1,500 cc to 2,500 cc</td><td>New</td><td>5%</td><td>10%</td></tr>
<tr><td>Used</td><td>5%</td><td>10%</td></tr>
<tr><td rowspan="2">2,500 cc to 3,000 cc</td><td>New</td><td>5%</td><td>10%</td></tr>
<tr><td>Used</td><td>5%</td><td>10%</td></tr>
<tr><td rowspan="2">Exceeding 3,000 cc</td><td>New</td><td>5%</td><td>10%</td></tr>
<tr><td>Used</td><td>5%</td><td>10%</td></tr>
</table>
</td></tr>
<tr><td>2. Import excise on buses</td><td>

- Import excise on new buses (not less than 16 seats) will be reduced to 0%.
- Import excise on used buses (not less than 16 seats) will be reduced to 0%. This concession will only be available for 2 years.
</td></tr>
<tr><td>3. Ethanol for pharmaceutical manufacturing industries</td><td>

- Import Excise on the importation of ethanol by manufacturers of pharmaceutical supplies will be reduced to 0%.
</td></tr>
<tr><td>4. Chicken</td><td>

- Import Excise on the import of chicken will be increased from 0% to 10%.
</td></tr>
<tr><td>5. Reduction of import excise on heavy machinery under Chapter 84 of the Customs Tariff</td><td>

- Given the increased civil and road construction work, import duty on heavy machinery is reduced by 5%.
- Items under Chapter 84 amongst other items include ship derricks and cranes, forklift trucks, work trucks, bulldozers graders, levellers, excavators, shovel loaders, road rollers and scrapers. The details are provided below:

<table>
<tr><th>Type</th><th>Current Fiscal Duty</th><th>Current Import Excise</th><th>New Fiscal Duty</th><th>New Import Excise</th></tr>
<tr><td>New</td><td>5%</td><td>5%</td><td>5%</td><td>Free</td></tr>
<tr><td>Used</td><td>15%</td><td>Free</td><td>5%</td><td>5%</td></tr>
</table>
</td></tr>
</table>

Policy	Description
6. Reduction in import excise on vehicles used for transporting of goods stipulated under Heading 8704 of the Customs Tariff	• To assist businesses in the agriculture and wholesale & retail sector, import excise on trucks primarily used for the transport and delivery of goods has been reduced. • All new vehicles under Heading 8704 of the Customs Tariff which currently has import excise rates at 5% and 15% will be reduced to 0%. This will exclude dual purpose (twin cab) vehicles. • All used vehicles under Heading 8704 of the Customs Tariff which currently has import excise at a rate of 15% will be reduced to 0%. This will exclude dual purpose (twin cab) vehicles. • The age limit requirement on used vehicles under Heading 8704 for transport of goods will be removed. The vehicle will have to be Euro 4 compliant.
7. Steel pipes, galvanized pipes, stainless steel pipes and rectangular tubing	• Import excise on steel pipes, galvanized pipes, stainless steel pipes and rectangular tubing not manufactured in Fiji will be granted a concessionary duty rate of 5%.

3. Customs Legislation

Policy	Description
1. New provision in the Customs Act to allow the offsetting of customs liability if the tax payer has pending customs refunds	• Customs duty refunds to be allowed to be offset against the duty liability of tax payers. This will minimize refunds and will ensure there are no outstanding liabilities.
2. Duty Protection	• Previously, manufacturers and producers who were granted duty protection were required to seek approval from the Permanent Secretary for Economy prior to increasing prices. • Section 137F of the Customs Act will be amended to remove this requirement. Manufacturers and producers will now only be required to inform Permanent Secretary for Economy. • Fijian Competition and Consumer Commission ("FCCC") will be engaged if any review of prices is required.
3. Restrict the Import of left hand drive Vehicle	• To align with LTA regulations which does not approve the registration of the left hand drive vehicles, Customs Prohibited Imports & Exports Regulation ("CPIER") will be amended to restrict the importation of left hand drive vehicles. The importation will be subject to approval by LTA.
4. Expiry of goods	• A new provision will be introduced in the Excise Act whereby goods will have to be cleared from the excise bond and excise warehouse prior to product expiry date. A new provision will incorporate the expiry date of the warehousing period for the excisable goods.
5. Period of Warehousing of the Bonded Goods	• Section 52 (2) of the Customs Act will be amended whereby the customs bonded warehousing period and extension of re-warehousing will be reduced from 1 year to six months for all goods.
6. Administrative Summons	• Custom Act Section 95E will be amended to include a penalty provision for failing to comply with administrative summons.

Policy	Description
7. Extension of “time to pay duty”	• Section 101B of the Customs Act will be amended to allow the extension of time to pay duties and penalties. The current provision only allows extension in time for payment of duties.
8. Keeping of Business Records	• Section 114A of the Customs Act will be amended to include third parties associated with import and export to maintain all business records and other prescribed information. The current provisions only limits record keeping for licensees, importer and exporter.
9. Grounds For Remission of Penalty	• Section 137C(a) will be amended to set a timeframe of 15 working days after clearance of goods for voluntary disclosure of errors or omission.

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Appendix B: Reform Programmes

1. Civil Service Reforms

The Government announced that the Civil Service Reform Management Unit (CSRMU) had made progress in respect of the civil service reform programme as outlined below:

- Amendments to the Open Merit Recruitment & Selection (OMRS) Guideline were approved by the Public Service Commission (PSC) in April 2018 to further strengthen the application of the merit principle. The focus for 2019-2020 will be on the training of applicants to ensure they compete equitably for civil service jobs.
- An updated Discipline Guideline was approved and distributed by the PSC following a review that was conducted in 2018. Training and awareness of this Guideline will continue in 2019-2020.
- The Civil Service Salary Bands were implemented in 2017 in line with the Job Evaluation and Civil Service Remuneration Guideline. Ensuring parity of salaries and wages across Government, allocation of new and existing jobs to Salary Bands under the Civil Service Remuneration Structure will continue in 2019-2020.
- The Performance Management Framework (PMF) was updated in August 2018 to objectively link and measure civil servants work against the outcomes of their Ministry and confirm the parameters for applying performance-based pay, contract renewals and the basis for probation and annual assessments. PMF training and awareness will continue in 2019-2020.
- CSRMU will continue to implement the Learning & Staff Development initiative to ensure all Learning and Development activities are transferred to the workplace.

Government is also currently coordinating the review of the General Orders, which will be replaced by further guidelines and regulations issued by the PSC.

2. Public Enterprise Reforms

The Government provided an update on its reforms of various State Owned Enterprise (“SOE”) as set out below:

Energy Fiji Limited (EFL): Government offered 5% of its shares in EFL to individual domestic account holders as non-voting shares, and is in the process of divesting a further 44% of its shares to institutional and technical investors as voting shares.

Government Printing & Stationery Department (GPSD): The sale of GPSD assets was completed on 18 January 2019 for a sum of $6 million to Serendib Investment Pte Limited (SIPL).

Fiji Ports Corporation Ltd (FPCL): The Government indicated that the divestment of 59% shares in FPCL in November 2015 has resulted in the improved financial performance of the entity. The company has paid $16.2 million to Government for the year ending December 2018.

Foods Processors (Fiji) Pte Limited (FPFL): An Expression of Interest (EOI) was advertised in September 2018 for the sale of FPFL’s non-core assets and the sale was approved by Cabinet in early 2019.

Review of Public Enterprise Act 1996: The review of this Act has been completed following approval of the Public Enterprise Bill by Parliament in April 2019. The Government stated that the Bill aims to strengthen the existing legislation to effectively monitor SOEs and ensure they achieve desired financial targets.

3. Financial Management Reforms

Key focal areas for the Public Financial Management (PFM) system review were incorporated in the Public Financial Management Improvement Plan (PFMIP). Key initiatives in the PFMIP for 2019 to 2024 include:

(i) Review of the Financial Management Act (FMA) 2004.

(ii) Review of the Chart of Accounts.

(iii) Implementation of Cash Basis IPSAS at Agency Level.

(iv) Review of the Financial Management Information System (FMIS).

(v) Implementation of the National Fixed Asset Management Framework.

4. Labour Reforms

The Government announced that Fiji's labour reforms will continue to promote a workplace culture of non-discrimination, equal employment opportunities and a safe working environment.

Specific priority activities include:

- National Employment Policy (NEP) implementation;
- Activation of the signed Pacific Labour Scheme (PLS) with Australia;
- Extension of the National Job Fair;
- National Minimum Wages Agenda;
- Completion of the review of Employment Relations Act 2007;
- Formulation of new Regulations and Code of Practices, Policies and Procedures; and
- Consultations for the review of the national minimum wage.

5. Land Reforms

The ongoing land reforms include the following:

The Government announced that financial assistance has been secured for agriculture tenants through joint collaborations with the Fiji Development Bank (FDB) to ensure rental payments are based on market value. A total of 113 parcels of native land with combined area of 10,564 hectares have been committed to the Land Bank, with total lease payments received of $9.4 million. A sum of $1.5 million has been provided in 2019-2020 Budget to support development of iTaukei land under the land bank initiative.

The Government will continue to assist landowners by providing funding for proper surveying of land. To date 78 parcels of land have been surveyed and 46 leases issued.

The Government will also issue Bio Data Profile handbooks to landowners for all designated land leases.

6. Financial Sector Reforms

Key on-going reforms in the financial sector are highlighted below:

Proposed Pensions Savings Legislation: The draft legislation incorporates all the necessary requirements for the prudential supervision of the Fiji National Provident Fund and the superannuation industry in Fiji. This is expected to be reviewed by the Solicitor General's Office in 2019.

Proposed New Credit Union Legislation: The draft of the new Credit Union legislation is expected to be presented in Parliament in 2019. The Reserve Bank of Fiji (RBF) will be consulting credit union industry players to emphasise the Bank's new supervisory role and the new financial requirements.

Proposed New Banking Legislation: The Banking Act 1995 will be revised to address loopholes and incorporate new recommendations provided under the Fiji Financial Stability Review Report conducted by the International Monetary Fund in 2018.

Proposed New Insurance Legislation: A full review of the Insurance Act 1998 and the Insurance Regulations 1998 is currently being undertaken to incorporate new changes and initiatives within the domestic insurance industry and its business environment to accommodate the rising demand for insurance coverage.

Fair Reporting of Credit Act: The Act and its regulations were enacted in 2016. In 2018, RBF issued a licence to Credit Information Reporting Agency PTE Limited (CIRA) to operate in Fiji. To date, four entities have been registered as both Credit Information Providers and Credit Report Recipients (this includes a licensed bank and a licensed credit institution).

Personal Properties Securities Act (PPSA): The Act, which was passed in Parliament in 2017, aims to provide an institutional framework that would allow moveable property to be used as collateral for credit purposes. In 2018, a registry vendor was appointed with the assistance of the ADB Private Sector Development Initiative (ADB-PSDI). The ADB-PSDI team and vendor have since developed the PPSA registry and demonstrated the system to licensed financial institutions.

Small and Medium Enterprises (SME) Credit Guarantee Scheme: In 2012, Government introduced a scheme that has since provided guarantee on loans rendered to small and medium enterprises. By the end of February 2019, a total of 1,955 loans valued at over $114.8 million were approved under the scheme, while losses claimed were less than 1% of the scheme's total loan portfolio.

Import Substitution & Export Finance Facility (ISEFF): ISEFF provides concessional loans to encourage investment in exports, import substitution, renewable energy and sustainable public transportation. By the end of March 2019, the facility had disbursed loans totalling $146.3 million, of which $59.9 million has been repaid.

Housing Facility**:** This facility provides low-income earners easy access to housing credit through eligible lending institutions. In 2017, total funds available for lending was increased from $35 million to $60 million. The utilisation of funds under the facility has progressively increased from $25 million in July 2017 to around $57 million as at 17 April 2019.

Anti-Money Laundering (AML) and Combating Terrorist Financing (CTF):

a. *AML Supervision:* The Financial Intelligence Unit is conducting onsite inspections of law firms, accounting firms and real estate agents to ensure compliance under the Financial Transactions Reporting Act.

b. *Public Order Act:* Provisions on imposing sanctions on property related to terrorist entities and proliferation financing are being reviewed to ensure that Fiji is addressing its international obligations under the relevant United Nations Security Council Resolutions.

c. *Companies Regulations:* Government will review the Companies Regulations to strengthen requirements on transparency and beneficial owners of legal persons and arrangements.

d. *Non-Profit Organisations (NPO):* Government will undertake a review of the NPO sector in Fiji that will include a risk assessment, the adequacy of laws, and licensing, administration and supervisory framework.

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Appendix C: Budget Allocations and Other Key Initiatives

1. Poverty Alleviation, Social Empowerment and Rural Development

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

1.1. Social Protection

Key initiatives	
Poverty Benefit Scheme	Budget allocation of $36 million.
Social Pension Scheme	Provides a social safety net for elderly citizens who are 65 years of age and older who have no form of income and have never been beneficiaries of a superannuation scheme. A sum of $46 million has been allocated.
Food Voucher Programme for Rural Pregnant Mothers	Budget allocation of $0.9 million.
Child Protection Allowance	Programme is targeted at (single parent families, deserted spouses, widows, prisoner dependents, foster parents/guardians and children under the care of the State.) Budget allocation of $8 million.
Bus Fare Assistance	Budget allocation of $10 million.

1.2. Women

Key initiatives	
Women's Plan of Action (WPA)	The taskforce would review the WPA, conduct activities under its five thematic areas and establish a new thematic area, 'Gender and Climate Change'. Budget allocation $0.9 million.
Fiji National Women's Expo	The Expo provides a platform for rural women to sell their produce and gain access to potential urban market. Budget allocation $0.5 million.

Key initiatives	
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 and sexual assault to the relevant Authorities.
Fiji "Barefoot College"	This is a joint initiative between Government and Barefoot College International to construct a vocational college targeted at a rural-based women. Budget allocation $0.75 million.
Upgrading of State Homes for Older Persons	Includes renovations at all three of Fiji's State Homes for Older Persons, namely, the Babasiga Home (Labasa), Golden Age Home (Lautoka) and Samabula Senior Citizens Home (Suva). Budget allocation $1 million.

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1.3. Housing

Key initiatives	
Formalisation of Informal Settlements	$2 million allocation for upgrading and development of informal settlements on State and iTaukei land.
Assisting People Living with Disabilities (PLWD)	A budget allocation of $0.5 million for making Fijian building more inclusive and comfortable.
Public Rental Board (PRB) Subsidy	A sum of $1.6 million has been allocated to subsidise the rental obligations of PRB tenants.
Housing Assistance Relief Trust (HART)	A budget allocation of $0.5 million for re-construction, renovation and general maintenance of the existing homes.
Koroipita Model Town	A budget allocation of $2.0 million to extend the Koroipita Model Town to provide cyclone-proof housing for the disabled and low-income families.
First Home Purchase Programme	$2 million allocation for eligible household with a combined annual income below $50,001 to receive a grant of $10,000 if they buy a house or $15,000 if they build a house. $2 million allocation for eligible household with a combined annual income between $50,001 to $100,000 to receive a grant of $5,000 if they buy a house or $15,000 if they build a house.
Debt Relief Scheme	$0.4 million allocation to settle housing loan for clients held by the Housing Authority (HA) who have paid more than the principal amount, those who have retired or those who can prove genuine financial difficulty based on low-income or medical grounds.
First Land Purchase Programme	$1.5 million allocation to support home ownership by subsidising the cost of lots developed by the Housing Authority and Fiji National Provident Fund ("FNPF") for Fijians with a combined family income less than $50,000.
Interest Subsidy for Home Loans	$0.25 million allocated for first home buyers with a combined income of less than $50,000 that have financed their home loan through the Concessional Finance Facility under the Reserve Bank of Fiji.
Government Surveying	A budget allocation of $0.75 million.

Key initiatives	
Social Housing Assistance	$1.0 million allocation for construction of homes in rural and maritime areas on a cost-sharing basis that are destroyed in disasters or fires, and under the Family Assistance Scheme.
Housing Assistance to Fire Victims	$0.25 million allocation to assist fire victims with rebuilding their homes through a grant of $5,000 with a household income below $50,000 and who have proper leases, but lack insurance.

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2. Priority Sectors

2.1. Education, Heritage and the Arts

Some of the budget allocations are as follows:

- Tuition subsidy for Early Childhood Care and Education (ECCE) - $2.8 million
- Construction of Facilities for ECCE Centres and Infant Schools - $0.3 million
- Free Milk Programme for Year 1 students - $0.4 million
- Free tuition programme for Year 1 to Year 13 students - $63.7 million
- Transport Assistance Programme for children - $20 million
- Boarding School Food and Supplies in government schools- $ 2.8 million
- “WASH” facility to ensure the sanitation and hygiene of all schools - $0.2 million
- Vocational Grants for centres attached to secondary schools - $0.3 million
- E-books in schools - $0.05 million
- School Farm Competition at primary and secondary schools- $0.03 million
- Bau Central College - $ 2.5 million
- Cyclone Rehabilitation for schools damage by TC Winston, TC Keni, TC Josie and TC Gita - $35 million
- Water tanks in both rural and urban location schools to uplifting hygiene levels - $0.3 million
- Upgrade and Maintenance of School Facilities -$1.9 million
- Construction of New School Facilities – $ 2.5 million
- FNU capital projects - $15 million
- Grant to special schools - $ 1.2 million
- Tertiary Education Loans Scheme (TELS) - Tuition and Accommodation - $ 138 million
- Funding for other scholarships-$43.8 million
- Operating Grant to Higher Education Institutions - $100.6 million
- Rural Maritime Livelihood Training Programme - $1.3 million
- National Gallery for Contemporary Art - $3 million

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2.2. Health

Some of the programmes are as follows:

- Doctors: funds doctors’ training and salaries - $68.5 million.
- Salary allowance for Community Health Workers currently based in Fijian villages and communities - $2.5 million
- Expenses of Local and Overseas Medical Consultancy Services - $1.5 million

- Charter of Aircraft: medical evacuation of high-risk patients, especially those residing in rural and maritime regions - $2.1 million
- Outsourcing of janitorial and security services for health facilities - $6.9 million
- The Public Health Services Unit in the Ministry of Health will receive a budget of $6.4 million to address NCDs, and strengthen related programmes including HIV & AIDS, family health, adolescent health, child health, environmental health and mental health
- Purchase of items such as drugs and consumables, as well as the continuation of the free medicine programme available to Fijians with an annual income below $20,000 - $23.7 million
- Extension of CWM Hospital Maternity Unit - $4.0 million.
- Upgrade and Maintenance of three divisional hospitals (Lautoka, Labasa and CWM) and two specialised hospitals (St. Giles and Twomey) - $1.2 million.
- upgrades the Keiyasi Health Centre into a Sub-Divisional Hospital - $7.5 million
- Upgrade of Lautoka Hospital Operating Theatre & X-Ray Department - $4.4 million
- Purchase of Equipment for Urban Hospitals - $1.7 million
- Purchase of Equipment for Sub-Divisional Hospitals, Health Centres and Nursing Stations, includes purchase of medical beds, generators, incinerators, furniture and fittings for the new health facilities - $1.6 million
- Purchase of Biomedical Equipment for Urban and Sub-Divisional hospitals - $5.5 million

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2.3. Infrastructure Development and Public Utilities

Electrical Grid extensions, Bridges and Electrical project

Major allocations under the Ministry of Infrastructure and Transport budget are as follows:

- Operating Grant to LTA to provide a safe, efficient, and sustainable land transport system - $23.3 million
- Construction of permanent weighbridge at Karavi, Ba - $2.5 million
- Purchase of new Government vessel (including the finalisation of design and construction) for the transportation of passengers and cargo to maritime islands - $3.0 million
- Shipping Services Subsidy: supports cost-effective shipping services to maritime routes that are otherwise considered to be uneconomical - $2.3 million
- Rehabilitation of Diesel Schemes for the Relocated Communities and Re-constructed Homes: funds the completion of rehabilitation works on diesel schemes that were damaged by TC Winston - $2.2 million
- Energy Fiji Limited Grid Extension Projects - $9.2 million
- Housewiring for EFL Grid Extension Programme - $3.3 million
- Solar Home Systems Programme - $5.4 million
- EFL Subsidy Programme - $4.0 million

Waterways and Environment

The Ministry of Waterways and the Ministry of Environment have been combined to form the newly-established Ministry. Allocations under this Ministry budget are as follows:

- Nadi River Flood Alleviation - $7.95 million
- Protect Fiji's coastal communities - $5 million
- Construction of Naboro Landfill - $5.2 million
- Drainage and flood protection - $3 million
- Drainage for farmlands - $1 million
- Maintenance of drainage - $2.3 million
- Watershed management - $1.5 million

Water and Sewerage

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

- Water sources and water treatment plants to increase capacity in new and existing areas - $30.7 million
- Water distribution system project: improves and expands WAF's ability to distribute clean and safe drinking water to a growing customer base - $25.2 million
- Wastewater treatment plant - $10.5 million
- Improvement and upgrade of wastewater distribution System - $10.3 million
- Rural water supply programme - $11.3 million
- Rural water carting to non-metered areas - $5.0 million
- Government subsidy for rainwater harvesting systems - $3.0 million
- Integrated meter management - $2.0 million
- Non-revenue water reduction project - $4.2 million
- Electrical upgrading project - $8.7 million
- Relocation of existing water and wastewater - $1.0 million
- Emergency response contingency - $2.3 million

Urban water supply and wastewater management project

As part of the project, a new 40 mega litre treatment plant will be constructed in Viria, Rewa, Funding is also provided by the Asian Development Bank ($13.5 million), European Investment Bank ($5.5 million), the Green Climate Fund ($13.3 million), and local funding ($20.7 million).

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2.4. Agriculture

Key allocations under the Ministry of Agriculture are as follows:

- 2020 National Agriculture Census - $4.5 million
- Renewal of expiring agricultural leases - $6.9 million
- Agricultural Marketing Authority capital grant - $5.6 million

2.5. Sugar

Allocations under the Ministry of Sugar Industry budget are as follows:

- Sugarcane Development and Farmers Assistance: continues with cane replanting, especially within areas already under cane - $4.0 million
- Cane Access Roads - $3.0 million
- Cane Cartage from Penang to Rarawai - $4.0 million
- Fertiliser Subsidy - $15.6 million
- Weedicide Subsidy - $1.0 million
- Purchase of trucks - $5.9 million
- Sugar Stabilisation Fund - $30 million

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