

2020-2021

Fiji National Budget  
Report



**pwc**



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## Note from Senior Partner, PwC

The Attorney-General and Minister for Economy, Civil Service and Communications, Honourable Aiyaz Sayed-Khaiyum presented the 2020-2021 Fiji Budget last evening.

COVID-19 has caused what the Minister described as a once in a century external shock to the global financial systems, the economy, and people's livelihoods. It has caused the single largest contraction in the Fijian economy of 21.7%, with 115,000 Fijians (one third of the workforce) having had their hours reduced or lost their jobs. Considering the prospect of a future fundamentally changed, and recognising significant uncertainties, the Government has had to juggle with evolving dynamics and has used the following set of principles to formulate its strategies:

- bringing back jobs, particularly in the tourism sector,
- providing safety nets for those who are unemployed and or had wage reductions, and
- stimulate investment and consumption with strategic and sustainable Government initiatives creating a platform to encourage private sector investment

The budget projects a net deficit of \$2 billion or 20.2% of GDP, with total revenue of \$1.7 billion and total expenditure of \$3.7 billion. The Government debt is estimated to be around \$8.3 billion or 83.4% of GDP.

In his speech, the Minister emphasized the need for bold action. The following are some of the key initiatives:

- assistance to the tourism sector by reducing or removing various taxes
- improving ease of doing business
- overhaul of the tax laws, which includes certain changes the business community have been urging the Government to make
- across the board (over 1,600 items) reduction or removal of fiscal and import excise duties simplifying the customs regime
- abolished stamp duty
- strategic cuts in spending to reduce government expenditure. Government has opted not to reduce civil servants' pay.
- pushing ahead with ready-to-go infrastructure and construction projects to boost private sector investment.

The Minister shared his vision of building a more liberal economy, inclusive and fair society, supported by a more streamlined system of revenue collection that enhances ease and transparency of business.

There are lots of bold and encouraging initiatives, however, the success of the same and the economic recovery will depend on the extent of private sector participation, restoring jobs and Fiji once again being able to attract global visitors.

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

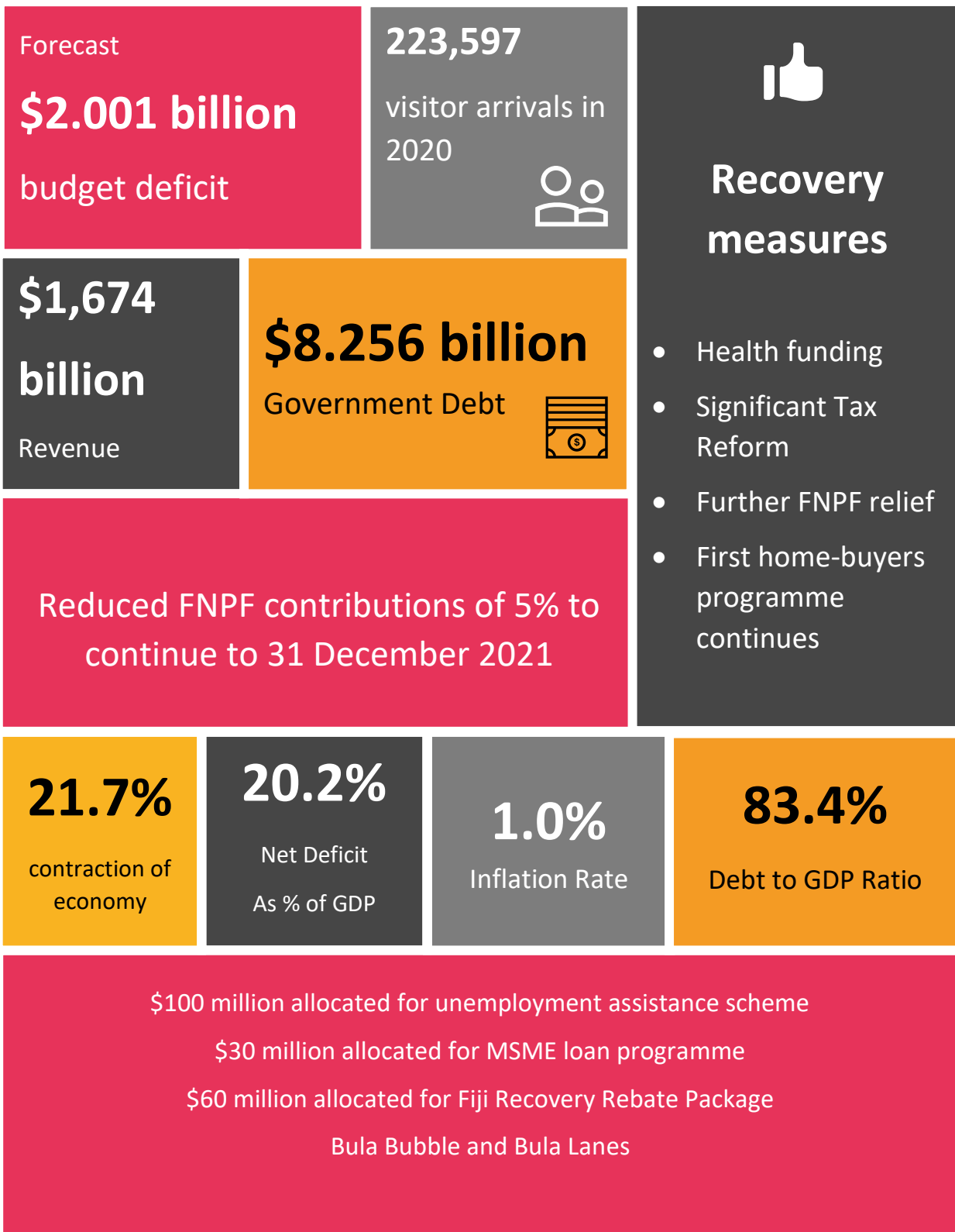


**Nitin Gandhi**  
Senior Partner, PwC Fiji



*Overhaul tax laws, improve ease of doing business, and stimulate investment.*

# At a Glance



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## Spotlight on the Budget

### Budget Estimates

	2019-2020 Budget \$m	2019-2020 Revised \$m	2020-2021 Budget \$m	2021-2022 Target \$m
Revenue	3,491.7	2,699.1	1,673.6	1,805.7
Expenditure	3,840.9	3,536.4	3,674.6	2,357.1
<b>Net (Deficit)</b>	<b>(349.2)</b>	<b>(837.3)</b>	<b>(2,001.0)</b>	<b>(551.4)</b>
Loan Redemption	(255.2)	N/A	(749.5)	N/A
Budget Gross (Deficit)	(604.4)	N/A	2,750.5	N/A

### Economic Indicators

	2019-2020 Budget \$m	2019-2020 Revised \$m	2020-2021 Budget \$m	2021-2022 Target \$m
GDP at market prices	12,703.8	10,214.9	9,905.3	11,027.5
GDP at constant prices	11,282.7	10,592.3	8,293.7	9,463.6
Growth rate	2.9%	1.3%	(21.7%)	14.1%
Debt	5,978.60	6,705.4	8,256.4	8,807.8
Debt as a % of GDP	47.1%	65.6%	83.4%	79.9%

Interest payments	353.4	349.7	403.0	N/A
Interest payments - % of total operating expenditure	13.94%	14.62%	16.64%	N/A
Revenue from sale of Government Assets	80	206.1	-	N/A

	2019 (p)	2020 (f)	2021 (f)	2022 (f)
Visitor arrivals	894,389	223,597	447,195	715,511
Inflation	(0.9%)	(3.5%) (Jun)	1.4%	2%
Anticipated sugar export quantity - tonnes ('000s)	145.6	140.9	149.3	157.6

	Jul-2017	Jul-2018	Jul-2019	Apr-2020
Government Guarantees (\$m)	562.2	586.7	673.3	674.1
Total Contingent Liabilities (\$m)	1,067.6	1,173.2	1,264.6	1,262.5

Key:  
f Forecast  
p Provisional  
N/A Data not available

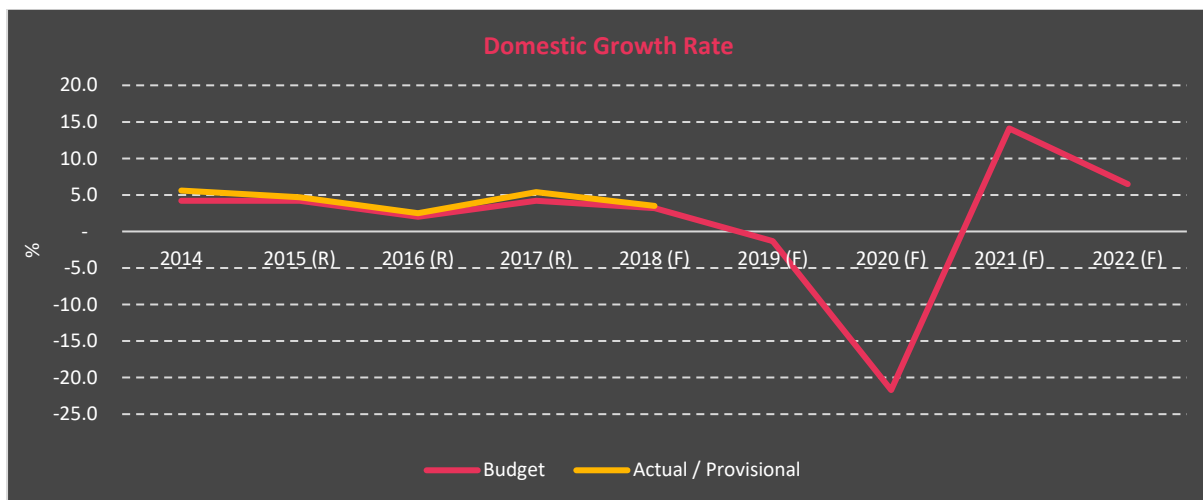
Source: Supplement to the 2020-2021 Budget Address

# State of the Nation

## Economic Growth

### Growth rate

- 2019 anticipated: -1.3%, amid the global slowdown, weak domestic demand and low business confidence.
- 2020 expected: -21.7%
- 2021 expected: +14.1%.
- 2022 expected: +6.5%.



Source: Supplement to the 2020-2021 Budget Address

### Overview 2019

The contraction in 2019 was due to the decline in public administration & defence, manufacturing, transport & storage, fishing & aquaculture, and mining & quarrying. This negated the growth in the agriculture, accommodation & food service activities, wholesale & retail trade, financial & insurance and electricity & gas sectors.

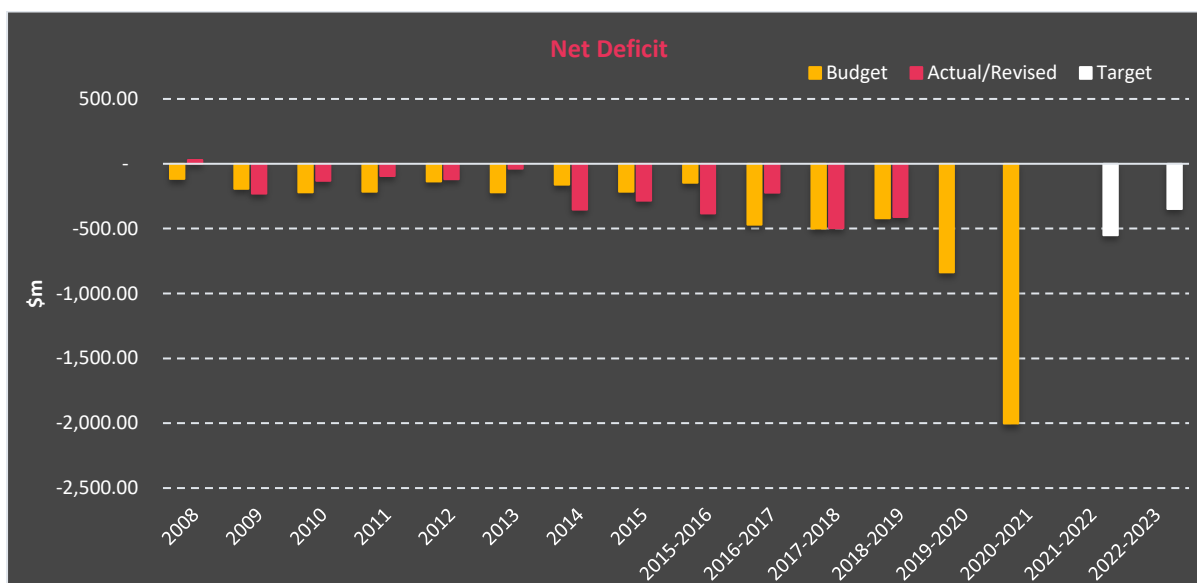
### Overview 2020

In 2020, the Fijian economy is projected to contract by 21.7 percent from the devastating impact of the COVID-19 pandemic on the tourism sector and its rippling effects on all other sectors of the economy. This is reportedly the largest economic contraction in Fiji's history.

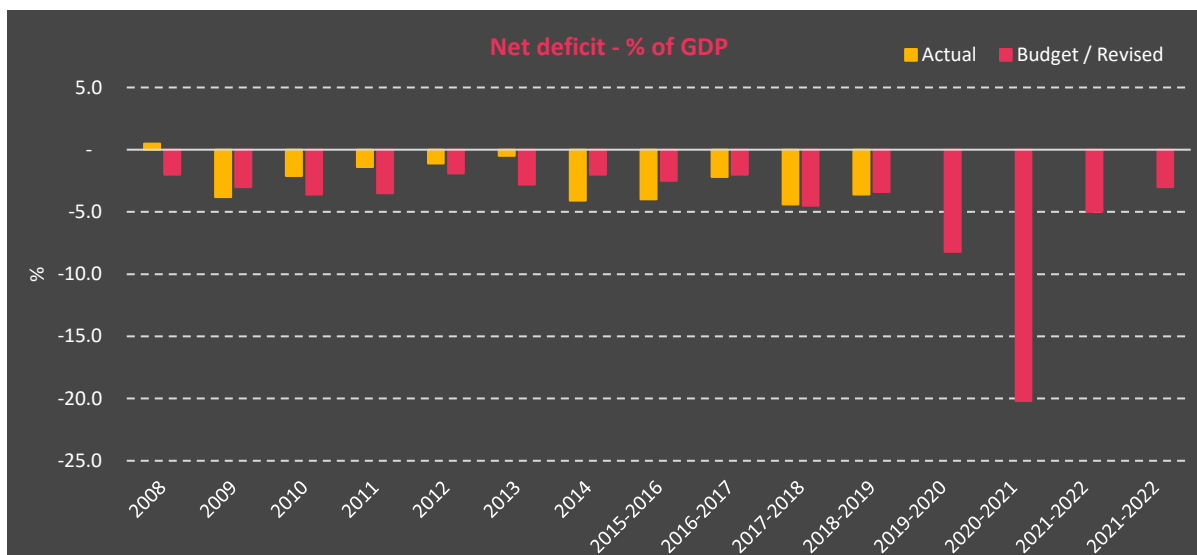
### Overview 2021 and 2022

The economy is projected to rebound in 2021 and 2022 by 14.1 percent and 6.5 percent, respectively. The recovery is largely premised on the expectation that international travel will normalise together with various measures in the budget aimed at rejuvenating private sector activity, investment and consumption spending and higher Government borrowing to sustain public spending in certain areas.

## Budget Deficit



Source: Supplement to the 2020-2021 Budget Address



Source: Supplement to the 2020-2021 Budget Address

## Summary of Fiscal Position

	2018-2019 Actual Performance \$ million	2019-2020 Revised Projection \$ million	2020-2021 Budget Estimates \$ million
Total actual revenues	\$3,181.10	\$2,699.10	\$1,673.60
Total expenditures	\$3,600.30	\$3,536.40	\$3,674.60
Net deficit	(\$ 419.20)	(\$ 837.20)	(\$ 2,001.00)
Net deficit as a percentage of GDP	3.60%	8.20%	20.20%

Source: Supplement to the 2020-2021 Budget Address

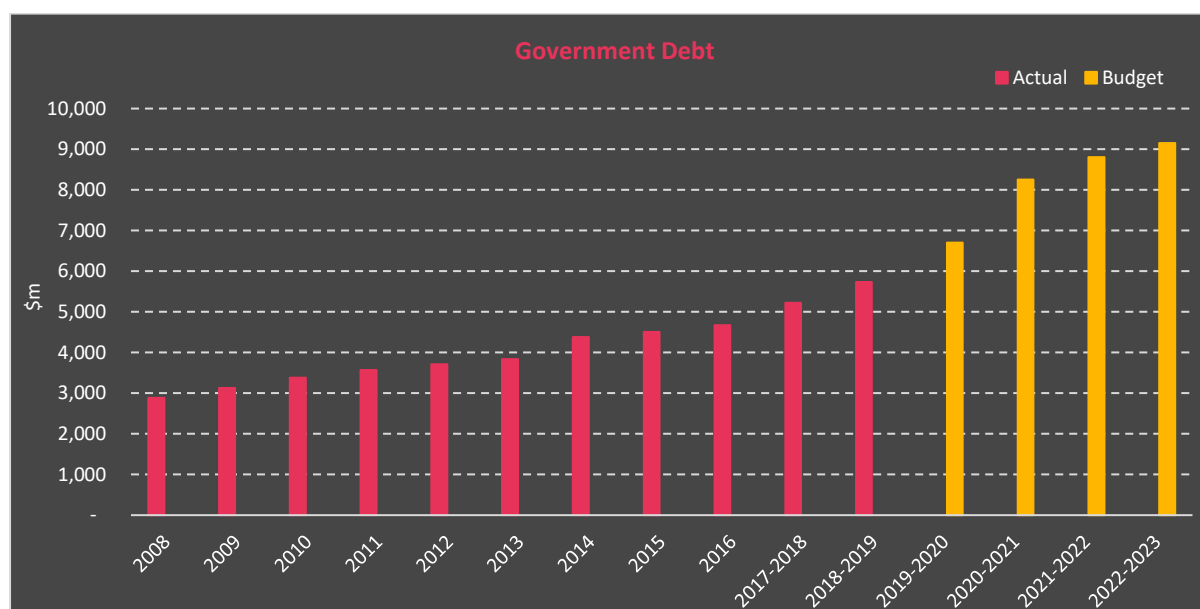
## Balance of payments

	Current account deficit	Capital and financial account balance (excluding reserves)
2019	\$572.5 million (4.9% of GDP - excluding aircraft)	\$1,268.1 million (10.8% of GDP)
2020	\$992.4 million (10.7% of GDP - excluding aircraft)	\$1,145.5 million (12.4% of GDP)
2021 projected	\$941.7 million (8.9% of GDP)	\$1,316.5 million (12.4% of GDP)
2022 projected	\$418.8 million (3.6% of GDP)	N/A

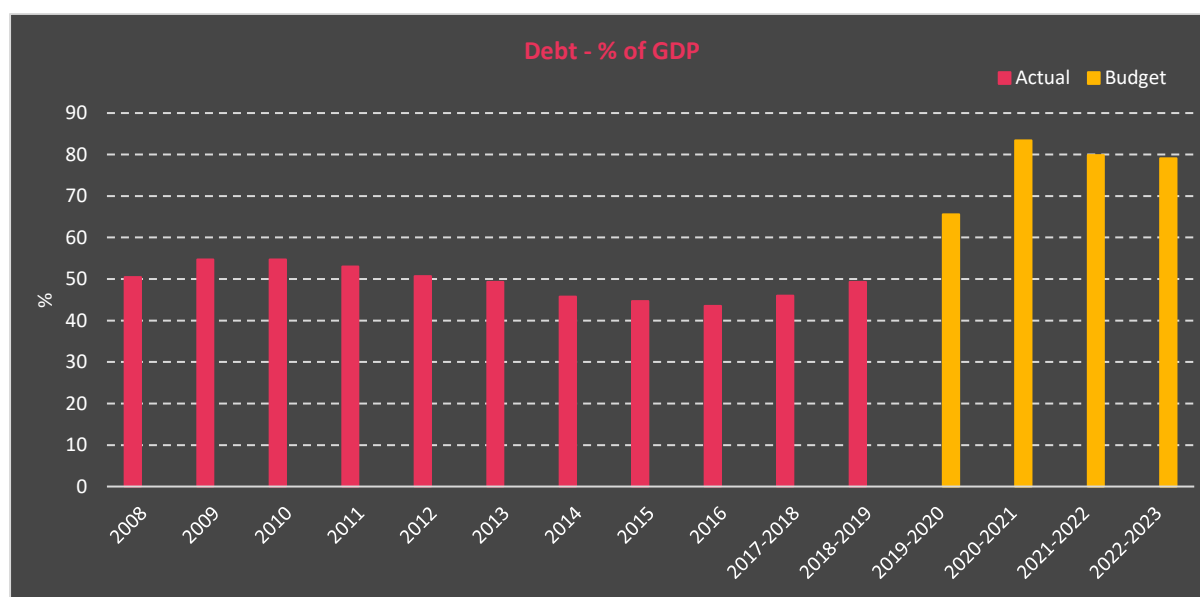
Source: Supplement to the 2020-2021 Budget Address

## Government debt

Government debt as at July 2020 is forecast to reach \$6.7 billion or 65.6 percent of GDP (from 49.3% in 2018-2019 fiscal year) due to an increased borrowing in the 2019-2020 COVID-19 Response Budget to accommodate the higher deficit of 8.2 percent. The significant increase in debt to GDP is also attributed to the downward revision of nominal GDP given the massive economic contraction projected for this fiscal year.



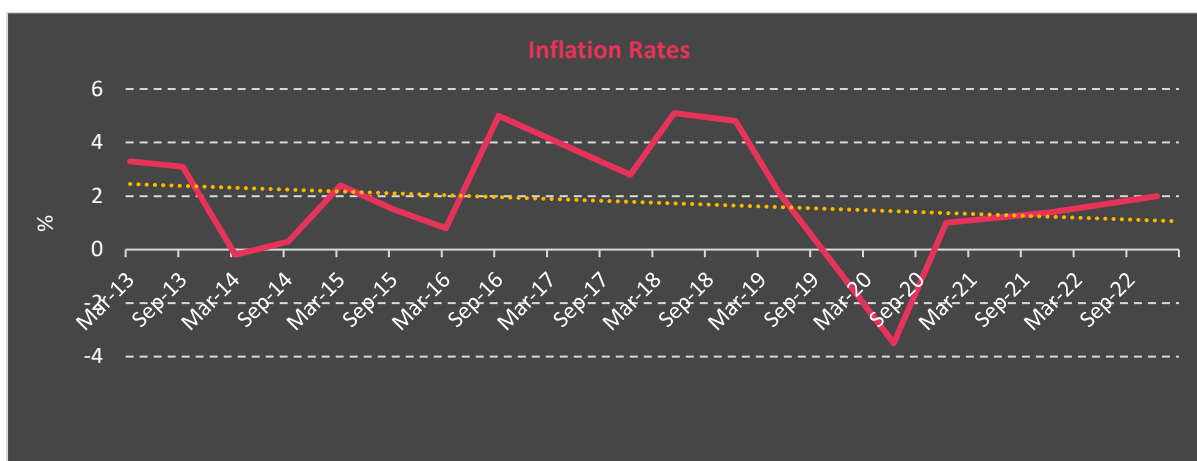
Source: Supplement to the 2020-2021 Budget Address



Source: Supplement to the 2020-2021 Budget Address



## Inflation



Source: Supplement to the 2020-2021 Budget Address

Annual inflation at end of year 2019 was -0.9 percent. This was mainly due to lower prices in alcoholic beverages, tobacco & narcotics; communications; housing, water, electricity, gas & other fuels and transport.

Inflation in June 2020 was -3.5 percent. This was largely attributed to lower prices for yaqona, vegetables, fruits, kerosene and diesel. Inflation has been negative since October 2019.

Annual inflation at end of year 2020 is expected at 1.0 percent, reflecting the impact of the pandemic on domestic and external demand, as well as global commodity prices such as crude oil. In line with the expected economic recovery in 2021 and notwithstanding any major demand and supply side shocks, the year-end inflation for 2021 is forecast at around 1.4 percent and 2.0 percent in 2022. The demand-induced impact on inflation is dampened by the major tax and customs duty reductions in this budget.

## Exports and Imports

Impact		Contributing factors
<b>2019:</b>		
Exports	Increase of \$2,167.8 million or 2.7%	Higher increase in re-exports and domestic exports. Growth in re-exports was led by machinery & transport equipment, mineral fuel and fresh fish.
Imports	Reduction of \$5,075.8 million or 8.6%	Decreases in most categories of imports.
<b>Expected 2020:</b>		
Exports	Projected to contract by 23.9%	Led by lower exports of mineral water, fresh fish, pine woodchips, garments, taro, cement, machinery & transport equipment, including re-exports.
Imports	Reduction of \$3,546.4 million or 30.1%	Decreases in most categories of imports.
<b>Expected 2021-2022:</b>		
Exports	Anticipated to recover by 14.4 percent and expand by 10.5 percent respectively	External demand for all categories of exports (except pine woodchips for 2021) are projected to rebound.
Imports	Grow by 13.8% and 10%	Increases in all categories of imports.

Source: Supplement to the 2020-2021 Budget Address

## Monetary Policy

Monetary policy will continue to focus on adequate level of foreign reserves and low and stable inflation.

The RBF introduced the following measures to support the economy during the pandemic:

- the overnight policy rate was reduced to 0.25 percent from 0.50 percent in March 2020;
- quantitative easing measures were implemented to the tune of \$440.0 million;

- the revamped Disaster Rehabilitation and Containment Facility was allocated \$100.0 million from the usual \$40.0 million;
- the allocation for the Import Substitution and Export Finance Facility<sup>4</sup> was increased by \$100.0 million to \$300.0 million; and
- RBF also purchased \$280.4 million of Government bonds in the first half of 2020 to assist Government in financing the deficit.

From a macro-prudential perspective, supervisory assessments continue to show that financial stability risks remain moderate. Commercial banks and other financial institutions have assisted 19,000 customers totalling \$3.4 billion. The Association of Banks in Fiji (ABIF) have agreed to extend the support to these customers until end of 2020, on a case by case basis.

By year-end, excess liquidity is expected to remain more than ample against the backdrop of higher Government external loan drawdowns and lower import payments. Given excess liquidity and the current accommodative monetary policy stance, interest rates are projected to drop further.

### Interest Rates

Interest rates in the banking sector have generally trended downwards in recent months due to high liquidity and subdued lending activity.

The weighted average outstanding lending rate for commercial banks was 6.15 percent in May 2020, 15 basis points lower than December 2019. Similarly, the weighted average outstanding time deposit rate fell to 3.91 percent from 4.10 percent in December 2019. The weighted average savings deposit rate dipped from 1.10 percent to 0.90 percent from the end of last year.

### Exchange Rates

The Nominal Effective Exchange Rate (NEER) index fell marginally over the year (-0.4%), indicating general weakening of the FJD.

Similarly, the Real Effective Exchange Rate (REER) index fell marginally over the year (-0.3%), denoting a gain in trade competitiveness largely on account of the persistent negative domestic inflation since October 2019.

## Government Revenue

### Direct and indirect tax collections

	Direct tax (\$ millions)	Indirect tax (\$ millions)
2018-2019 actual	754.4	2,026.9
2019-2020 projected	611.4	1,532.2
2020-2021 forecast	498.0	922.9

The key changes in indirect taxes for 2020-2021 include:

- Removal of STT.
- Removal of Stamp Duty
- VAT reverse charge applicable on supplies received from abroad will be repealed.
- ECAL will be reduced from 10% to 5%. The threshold for application of ECAL will be increased from \$1.25M to \$3M for all prescribed services.

### Other Government Revenue

The Government is expected to divest a further 24 percent of its shares in Energy Fiji Limited which is expected to generate \$200million.

## Government Expenditure

### Total Operating Payments

Allocation of operating payments	2019-2020 %	2020-2021 %	2018-2019 actual \$ million	2019-2020 expected \$ million	2020-2021 projected \$ million
Personnel costs	41.4	40.8	1,017.0	990.1	987.4
Transfer payments	28.2	27.4	719.9	673.9	662.3
Interest payments	14.6	16.6	322.8	349.7	403.0
Supplies and consumables	11.0	10.7	277.4	264.6	259.1
Special expenditure	4.3	3.4	87.4	102.6	82.4
Other	0.5	1.1	3.9	11.8	27.2

The major operating grants provided in the Budget include:	\$ million
Water Authority of Fiji	75.1
Social Pension Scheme	55.3
Judiciary	53.4
Fiji National University	49.0
Fiji Revenue and Customs Service	40.0
Poverty Benefit Scheme	38.3
Free Education Year 1-8	31.6
University of the South Pacific	27.6
Free Education Year 9-13	29.2
Land Transport Authority	20.1
Fiji Roads Authority	14.1
Child Protection Allowance	12.4
Grant to Fiji's Servicemen's After Care Fund	11.5
Legal Aid Commission	10.1
Parliament	8.6
Fiji Independent Commission Against Corruption	8.0
Tourism Fiji	6.7
Bus Fare Programme for Elderly/ Disabled persons	6.5

### Investing Activities

	2018-2019 actual \$ million	2019-2020 expected \$ million	2020-2021 projected / budgeted \$ million
Investing revenue	24.1	216.1	7.3
Capital grants and transfers	972.5	934.0	1,022.4

The allocations for major capital grants and transfers during 2020-2021 include:

Activity	\$ million
Fiji Roads Authority	334.7
Water Authority of Fiji	120.3
Unemployment Benefit	100.0
Tertiary Loan Scheme – Tuition	66.9
Fiji Recovery Rebate Package	60.0
Tertiary Loan Scheme – Accommodation	46.8
National Toppers Scholarship Scheme – Local Scholarship Scheme	43.4
Concessional Loans to MSMEs	30.0
Sugar Stabilisation Fund	30.0
Tourism Fiji Marketing Grant	25.0
COVID-19 Contingency Fund	25.0
Ongoing Rehabilitation and Construction of Schools and Public Buildings	20.0
Fertiliser Subsidy – FSC	15.6
Grant to Walesi	10.3
Committee on Better Utilisation of Land and Agriculture Marketing Authority	8.9
DigitalFIJI	9.0
Housewiring for Grid Extension Project	7.9
Construction of New CWM Hospital Maternity Unit	7.0
Construction of Prime Minister’s Office Building	7.0
Online Business and Construction Licensing System	6.7

Total purchase of physical non-current assets, including spending on capital construction and purchases, during 2018-2019 amounted to \$161.2 million. The spending is anticipated to increase to \$163.9 million in 2019-2020 and to \$185.9 million in 2020-2021.

## Government Debt

The following table summarises total Government debt:

	July 2016 \$ million	July 2017 \$ million	July 2018 \$ million	July 2019 Revised \$ million	July 2020 projected \$ million
<b>Domestic debt</b>	3,245.0	3,300.8	3,763.0	4,278.5	4,955.1
<b>External debt</b>	1,262.6	1,370.9	1,457.5	1,456.8	1,750.3
<b>Total debt</b>	<b>4,507.7</b>	<b>4,671.7</b>	<b>5,220.5</b>	<b>5,735.2</b>	<b>6,705.4</b>
<b>Debt (as a % of GDP)</b>	44.7%	43.5%	46.0%	49.3%	65.6%
<b>Domestic/Total Debt</b>	72.0%	71.0%	72.0%	75.0%	74.0%
<b>External/Total Debt</b>	28.0%	29.0%	28.0%	25.0%	26.0%

Source: Supplement to the 2020-2021 Budget Address

### Domestic Debt Stock

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

Total domestic debt in 2019 was equivalent to 36.8% of GDP.

## External Debt Stock

The table below summarises Government's external debt position from 2016 to 2020.

	July 2016 \$ million	July 2017 \$ million	July 2018 \$ million	July 2019 Revised \$ million	July 2020 projected \$ million
Loans	846.9	968.6	1,037.2	1,023.8	1,314.6
Global Bonds	415.7	402.3	420.3	433.0	435.7
<b>Total External Debt</b>	<b>1,262.6</b>	<b>1,370.9</b>	<b>1,457.5</b>	<b>1,456.8</b>	<b>1,750.3</b>
<b>External Debt to GDP (%)</b>	<b>12.5</b>	<b>12.8</b>	<b>12.8</b>	<b>12.5</b>	<b>17.1</b>

Source: Supplement to the 2020-2021 Budget Address

Global bonds comprised around 24.9% of the total external debt portfolio, bilateral and multilateral loans constituted 75.1%. Majority of the external debt is denominated in US dollars (73.2%) followed by the Chinese Yuan (23.8%), Japanese Yen (2.9%) and the Euro (0.1%).

## Contingent Liabilities

Government's explicit contingent liabilities are around \$1.2 billion as of July 2019, equivalent to 7.8% of GDP. This comprised of Government guarantees of \$591.2 million equivalent to 5.8% of GDP and other contingent liabilities at \$622.2 million.

# Tax Measures

Unless otherwise specified, excise tax, fiscal import duty, import excise duty and Environment Climate Adaptation Levy (“ECAL”) changes are expected to be effective from 18 July 2020 and all other tax changes are expected to be effective from 1 August 2020, unless stated otherwise.

## Direct Tax Measures

Policy	Description																								
1. Social Responsibility Tax (“SRT”) and Environment & Climate Adaptation Levy (“ECAL”)	<ul style="list-style-type: none"> <li>The ECAL component of SRT will be reduced from 10% to 5%. The new SRT and ECAL structure will be as follows:</li> </ul>																								
	<table border="1"> <thead> <tr> <th>Chargeable Income</th> <th>SRT</th> <th>ECAL<sup>1</sup></th> </tr> </thead> <tbody> <tr> <td>270,001 – 300,000</td> <td>13% of excess over \$270,000</td> <td>5% of excess over \$270,000</td> </tr> <tr> <td>300,001 – 350,000</td> <td>5,400 + 14% of excess over \$300,000</td> <td>5% of excess over \$300,000</td> </tr> <tr> <td>350,001 – 400,000</td> <td>14,900 + 15% of excess over \$350,000</td> <td>5% of excess over \$350,000</td> </tr> <tr> <td>400,001 – 450,000</td> <td>24,900 + 16% of excess over \$400,000</td> <td>5% of excess over \$400,000</td> </tr> <tr> <td>450,001 – 500,000</td> <td>35,400 + 17% of excess over \$450,000</td> <td>5% of excess over \$450,000</td> </tr> <tr> <td>500,001 – 1,000,000</td> <td>46,400 + 18% of excess over \$500,000</td> <td>5% of excess over \$500,000</td> </tr> <tr> <td>1,000,000 +</td> <td>161,400 + 19% of excess over \$1,000,000</td> <td>5% of excess over \$1,000,000</td> </tr> </tbody> </table>	Chargeable Income	SRT	ECAL <sup>1</sup>	270,001 – 300,000	13% of excess over \$270,000	5% of excess over \$270,000	300,001 – 350,000	5,400 + 14% of excess over \$300,000	5% of excess over \$300,000	350,001 – 400,000	14,900 + 15% of excess over \$350,000	5% of excess over \$350,000	400,001 – 450,000	24,900 + 16% of excess over \$400,000	5% of excess over \$400,000	450,001 – 500,000	35,400 + 17% of excess over \$450,000	5% of excess over \$450,000	500,001 – 1,000,000	46,400 + 18% of excess over \$500,000	5% of excess over \$500,000	1,000,000 +	161,400 + 19% of excess over \$1,000,000	5% of excess over \$1,000,000
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<sup>1</sup> We understand ECAL will apply at 5% on income exceeding \$270,000 and not as noted in this table. This needs to be appropriately clarified.

Policy	Description
2. Advance Payments of Tax	<ul style="list-style-type: none"> <li>The rules for advance tax payments as amended in the COVID-19 Response Budget will be made permanent.</li> <li>Companies will be required to make advance tax payments in 9 instalments at the rate of 11<sup>1</sup>/<sub>9</sub>%.</li> <li>Additionally, the application of penalties was removed in the COVID-19 Response Budget and was valid until 31 December 2020. This waiver continues to apply for the next 3 years.</li> </ul>
3. Debt Forgiveness	<ul style="list-style-type: none"> <li>As announced in the COVID-19 Response Budget, debt forgiveness is not subject to income tax for all debt outstanding forgiven from 1 April 2020 up to 31 December 2020.</li> <li>The existing policy and the forgiveness period for the new debt is extended until 31 December 2021.</li> <li>In addition, debts created between 1 April 2020 to 31 December 2021 (and forgiven) will also be eligible for income tax exemption under the debt forgiveness provisions.</li> </ul>
4. Thin Capitalisation	<ul style="list-style-type: none"> <li>The debt-to-equity ratio will be increased from the current 2:1 to 3:1.</li> <li>Therefore, a higher amount of tax deductibility in relation interest will be allowed for a foreign controlled Fiji company.</li> </ul>
5. Depreciation write-off incentive	<ul style="list-style-type: none"> <li>A 100% write-off on purchase of fixed assets of up to \$10,000 used for business purposes was announced in the COVID-19 Response Budget.</li> <li>In light of the current economic situation, this policy will be made permanent.</li> </ul>
6. Accelerated Depreciation	<ul style="list-style-type: none"> <li>A 100% write-off for the construction of a new commercial and industrial building, provided that approvals are obtained prior to 31 December 2020, was made available in the COVID-19 Response Budget.</li> <li>This incentive will be made permanent.</li> </ul>
7. Tax deduction for reduction of commercial rent	<ul style="list-style-type: none"> <li>As part of the government assistance package to businesses, a tax deduction was accorded to landlords for reduction of commercial rent. The deduction applied to existing rental contracts whereby landlords need to provide record of rental income received for the past 6 months.</li> <li>The reduction refers to the rent payable after 01 April 2020 to 31 December 2020.</li> <li>This tax deduction will be further extended until 31 December 2021.</li> </ul>

Policy	Description																												
8. New Medical Investment Incentive	<p>The existing package will be repealed and replaced with the following:</p> <p><b>i. Private Hospital</b></p> <ul style="list-style-type: none"> <li>Income tax exemption for the establishment of a new hospital based on the following capital investment levels:</li> </ul> <table border="1"> <thead> <tr> <th>Capital Investment (\$)</th> <th>Tax Holiday</th> </tr> </thead> <tbody> <tr> <td>\$2,500,000 - \$5,000,000</td> <td>7 years</td> </tr> <tr> <td>\$5,000,001 - \$10,000,000</td> <td>13 years</td> </tr> <tr> <td>More than \$10,000,000</td> <td>20 years</td> </tr> </tbody> </table> <p>An investment allowance will be available for the refurbishment, renovation and extension of a hospital based on the following capital investment levels:</p> <table border="1"> <thead> <tr> <th>Capital Investment (\$)</th> <th>Tax Deduction</th> </tr> </thead> <tbody> <tr> <td>\$500,000 - \$1,000,000</td> <td>30%</td> </tr> <tr> <td>More than \$1,000,000</td> <td>60%</td> </tr> </tbody> </table> <p><b>ii Ancillary Medical Services</b></p> <ul style="list-style-type: none"> <li>Income tax exemption for the establishment of a new ancillary medical service centre based on the following capital investment levels:</li> </ul> <table border="1"> <thead> <tr> <th>Capital Investment (\$)</th> <th>Tax Holiday</th> </tr> </thead> <tbody> <tr> <td>\$500,000 - \$3,000,000</td> <td>7 years</td> </tr> <tr> <td>\$3,000,001 - \$10,000,000</td> <td>13 years</td> </tr> <tr> <td>More than \$10,000,000</td> <td>20 years</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>An investment allowance will be available for the refurbishment, renovation and extension of an ancillary medical service centre based on the following capital investment levels:</li> </ul> <table border="1"> <thead> <tr> <th>Capital Investment (\$)</th> <th>Tax Deduction</th> </tr> </thead> <tbody> <tr> <td>\$500,000 - \$1,000,000</td> <td>30%</td> </tr> <tr> <td>More than \$1,000,000</td> <td>60%</td> </tr> </tbody> </table>	Capital Investment (\$)	Tax Holiday	\$2,500,000 - \$5,000,000	7 years	\$5,000,001 - \$10,000,000	13 years	More than \$10,000,000	20 years	Capital Investment (\$)	Tax Deduction	\$500,000 - \$1,000,000	30%	More than \$1,000,000	60%	Capital Investment (\$)	Tax Holiday	\$500,000 - \$3,000,000	7 years	\$3,000,001 - \$10,000,000	13 years	More than \$10,000,000	20 years	Capital Investment (\$)	Tax Deduction	\$500,000 - \$1,000,000	30%	More than \$1,000,000	60%
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9. New Incentive Package for Subdivision of lots	<ul style="list-style-type: none"> <li>A new incentive package will be introduced for investment in the business of sub-division of lots for residential or commercial purpose. The following benefits will be available:</li> </ul> <table border="1"> <thead> <tr> <th>Capital Investment (\$)</th> <th>Tax Deduction</th> </tr> </thead> <tbody> <tr> <td>Less than \$1,000,000</td> <td>20%</td> </tr> <tr> <td>\$1,000,001 - \$3,000,000</td> <td>30%</td> </tr> <tr> <td>\$3,000,001 - \$7,000,000</td> <td>40%</td> </tr> <tr> <td>More than \$7,000,000</td> <td>60%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>Duty concession will be available on importation of raw materials, equipment and machinery for the establishment of the project.</li> <li>Income tax exemption will be available on developer profits for proceeds of sale.</li> <li>The new Incentive Package for Sub-division of lots will be applicable from 1 August 2020 to 31 July 2022.</li> </ul>	Capital Investment (\$)	Tax Deduction	Less than \$1,000,000	20%	\$1,000,001 - \$3,000,000	30%	\$3,000,001 - \$7,000,000	40%	More than \$7,000,000	60%																		
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Policy	Description
10. New Incentive Package for Private sector investment in buildings	<ul style="list-style-type: none"> <li>• A new incentive package will be introduced for private companies investing in buildings to be used by government or entities approved by government.</li> <li>• The following benefits will be available:                             <ul style="list-style-type: none"> <li>- Duty concession will be available on importation of raw materials, plant, machinery and equipment for the establishment of the project.</li> <li>- Tax exemption will be available on rental income.</li> </ul> </li> </ul>
11. Residential Housing Development Incentive – Development of Housing for Public Rental	<ul style="list-style-type: none"> <li>• Regulation 12, Part 3 of the Income Tax (Residential Housing Development Package) Regulations 2016 will be extended to include duty concessions for the importation of raw materials, machinery and equipment for the establishment of the housing project.</li> </ul>
12. Tax incentives for Corporate Bonds	<ul style="list-style-type: none"> <li>• To support post COVID-19 recovery through provision of additional avenues for corporate financing, the issuance of corporate bonds will be incentivized as follows:                             <ul style="list-style-type: none"> <li>- A 150% tax deduction will be allowed to companies for listing of corporate bonds with the South Pacific Stock Exchange (SPSE). This deduction will be applied on the cost of listing.</li> <li>- A 150% tax deduction will be allowed on interest paid on corporate bonds.</li> <li>- Interest income earned on corporate bonds will be exempt from tax.</li> </ul> </li> </ul>
13. Fiji National Provident Fund (“FNPF”) Contribution	<ul style="list-style-type: none"> <li>• To provide immediate financial support to employers during this time of financial hardship, the mandatory FNPF contribution was reduced to 5 percent in the COVID-19 Response Budget. This policy is further extended until 31 December 2021.</li> <li>• Employer contribution exceeding the 5% mandatory FNPF contribution and up until 10%, will be allowed a tax deduction of 150% of the excess.</li> <li>• The deduction will be applied retrospectively from 1 April 2020.</li> </ul>
14. Capital Gains Tax (“CGT”)	<ul style="list-style-type: none"> <li>• CGT exemption threshold for capital gains made by a resident individual or Fijian citizen will be increased from \$16,000 to \$30,000.</li> </ul>
15. Income Tax Act – Section 2: Definition of Capital Asset	<ul style="list-style-type: none"> <li>• Depreciable Assets will now be taxed under CGT rules and not income tax rules</li> <li>• Therefore, the definition of Capital Asset in Section 2 of the Income Tax Act 2015 will be extended to include depreciable assets and section 34 will be amended to clarify rules on disposal of depreciable assets.</li> </ul>
16. Fringe Benefit Tax (“FBT”)	<ul style="list-style-type: none"> <li>• A tax deduction will be allowed to the employer for FBT. Consequently, Section 22 of the Income Tax Act will be amended.</li> </ul>
17. Non-Resident Withholding Tax	<ul style="list-style-type: none"> <li>• Section 10 will be amended to exclude accommodation provided or reimbursed, airfare, transport and allowances from the application of Non-Resident Withholding Tax.</li> </ul>
18. Permanent Establishment	<ul style="list-style-type: none"> <li>• The Permanent Establishment Rules will be amended to allow consistent application with international taxation rules.</li> </ul>

Policy	Description
19. Tax deduction on loans taken for medical purposes	<ul style="list-style-type: none"> <li>A tax deduction will be allowed on loan (inclusive of both principal amount and interest accrued) taken from a licensed financial institution for medical treatment.</li> <li>The applicant will be required to provide medical certificate, details of the loan facility and receipts to confirm expenses.</li> <li>The following expenses are eligible:                             <ul style="list-style-type: none"> <li>hospital expenses;</li> <li>food and accommodation if part of the package with the hospital;</li> <li>international air fares; and</li> <li>interest expenses incurred with the loan (in case of consolidated loan), interest deduction will be allowed proportionately.</li> </ul> </li> </ul>
20. Corporate Reorganization	<ul style="list-style-type: none"> <li>Deferral rules for company incorporation will be introduced.</li> <li>Transfer of assets by an individual shareholder to a company at the point of incorporation will not be subject to tax.</li> <li>Subsequently, disposal of assets will be subject to normal tax.</li> </ul>
21. Donation to the Sports Fund	<ul style="list-style-type: none"> <li>The threshold to qualify for the 150% tax deduction available for donations to the Sports Fund will be removed.</li> <li>The recipient of the donation must be registered with the Fiji National Sports Commission.</li> </ul>
22. Tax deduction to hire local artists	<ul style="list-style-type: none"> <li>A 150% tax deduction will be allowed to hotels and resorts that hire local artists such as craftsmen, dancers and musicians.</li> </ul>

## Tax Administration Act

Policy	Description
1. Audit Penalty	<ul style="list-style-type: none"> <li>300% VAT evasion penalty and 75% income tax audit penalty will be replaced with a low, harmonized and progressive audit penalty regime.</li> <li>Audit penalty rates for tax shortfall for Income Tax, VAT and Other Taxes will be 15% per annum and will be computed using the simple interest formula. The same rate and methodology will be applied for tax benefits obtained through overestimation of tax losses.</li> <li>Consequently, section 46 and Section 46A will be amended and section 46B will be removed.</li> </ul>

## Stamp Duty Act

Policy	Description
1. Stamp Duty	<ul style="list-style-type: none"> <li>Stamp Duty Act will be repealed.</li> </ul>

## Airport Departure Tax Act

Policy	Description
1. Review of Airport Departure Tax	<ul style="list-style-type: none"> <li>The Airport Departure Tax will be reduced from \$200 to \$100.</li> </ul>

## Service Turnover Tax Act

Policy	Description
1. Service Turnover Tax (“STT”)	<ul style="list-style-type: none"> <li>The 6% STT on all prescribed services will be removed.</li> </ul>

## Value Added Tax (“VAT”) Act

Policy	Description
1. VAT Monitoring System (“VMS”)	<ul style="list-style-type: none"> <li>The implementation of the VMS as captured in the Electronic Fiscal Device (“EFD”) Regulations will be further deferred to 01 January 2022.</li> </ul>
2. VAT Reverse Charge	<ul style="list-style-type: none"> <li>The provisions of VAT Reverse Charge applicable on supplies received from abroad will be repealed.</li> </ul>
3. VAT on Residential Rents	<ul style="list-style-type: none"> <li>A person engaged in the supply of residential accommodation, irrespective of the annual gross turnover will be exempted from VAT.</li> </ul>

## Environment and Climate Adaptation Levy Act

Policy	Description
1. ECAL	<ul style="list-style-type: none"> <li>The ECAL will be reduced from 10% to 5%.</li> <li>The threshold for application of ECAL will be increased from \$1.25m to \$3m for all prescribed services.</li> </ul>
2. ECAL on Superyacht Charter.	<ul style="list-style-type: none"> <li>ECAL on Superyacht charter will be reduced from 10% to 5%.</li> </ul>
3. ECAL on White Goods	<ul style="list-style-type: none"> <li>ECAL on white goods will be reduced from the current 10% to 5%. The goods are as follows:                             <ul style="list-style-type: none"> <li>Smart phones;</li> <li>Air conditioners;</li> <li>Refrigerators and Freezers;</li> <li>Televisions;</li> <li>Washing Machines;</li> <li>Dryers;</li> <li>Dishwashers;</li> <li>Electric Stoves;</li> <li>Microwaves;</li> <li>Electric Lawn Mowers;</li> <li>Toasters;</li> <li>Electric Jugs; and</li> <li>Hair Dryers.</li> </ul> </li> </ul>
4. Exemption of ECAL on concession codes 232, 284 and 285	<ul style="list-style-type: none"> <li>The ECAL Act will be amended to include concession code 232, 284, and 285 for exemption of ECAL on vehicles and white goods imported under duty concession.</li> </ul>
5. Refund of ECAL in line with the duty drawback provisions of Customs Act	<ul style="list-style-type: none"> <li>The ECAL Act will be amended to include provisions of refund for ECAL paid on customs declaration in instances of a re-export.</li> </ul>

Policy	Description																						
6. ECAL on Motor Vehicles	<ul style="list-style-type: none"> <li>ECAL on motor vehicles will be reduced from the current 10% to 5%.</li> </ul> <p><b><u>ECAL Structure on Hybrid Vehicles</u></b></p> <table border="1"> <thead> <tr> <th>Cylinder Capacity</th> <th>Description</th> <th>Current ECAL</th> <th>New ECAL</th> </tr> </thead> <tbody> <tr> <td rowspan="2">All</td> <td>New</td> <td>10%</td> <td>5%</td> </tr> <tr> <td>Used</td> <td>10%</td> <td>5%</td> </tr> </tbody> </table> <p><b><u>ECAL Structure on Non-Hybrid Vehicles</u></b></p> <table border="1"> <thead> <tr> <th>Cylinder Capacity</th> <th>Description</th> <th>Current ECAL</th> <th>New ECAL</th> </tr> </thead> <tbody> <tr> <td rowspan="2">All</td> <td>New</td> <td>10%</td> <td>5%</td> </tr> <tr> <td>Used</td> <td>10%</td> <td>5%</td> </tr> </tbody> </table>	Cylinder Capacity	Description	Current ECAL	New ECAL	All	New	10%	5%	Used	10%	5%	Cylinder Capacity	Description	Current ECAL	New ECAL	All	New	10%	5%	Used	10%	5%
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## 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](#)



# Strategic Direction

## Medium Term Fiscal Strategy

The Minister indicated that the unanticipated arrival of the pandemic necessitated a recalibration of the 2019-2020 Budget. In the COVID-19 Response Budget, total revenues were revised downward from \$3.5 billion to \$2.5 billion (a reduction of \$984 million or 28.0%), while total expenditures were reduced from \$3.8 billion to \$3.5 billion (a reduction of \$304 million or 7.9%).

Subsequently, the net deficit grew to around \$1.0 billion, equivalent to 8.2 percent of GDP, a substantial increase from the 2.7 percent of GDP originally budgeted. Government had increased its borrowing to provide additional resources for COVID-19 prevention and containment measures, unemployment assistance and the continuation of important Government services.

As a result of the above, the fiscal policy environment has become very challenging as revenue levels continue to decline. The Minister stated that increased external financing through multilateral partners like the Asian Development Bank (“ADB”), Asian Infrastructure Investment Bank (“AIIB”), World Bank, and bilateral partners like the Japanese Government will help sustain expenditure, while quantitative easing measures through RBF purchase of Government bonds and other domestic financing will assist further.

Government will also continue to pursue long-term structural adjustments to diversify the economy and realise Fiji’s true economic potential. Long-term improvements in other sectors are necessary to reduce our over-dependence on tourism. The Minister communicated that reforms will be directed towards improving the ease of doing business to attract private sector investments and Foreign Direct Investment, enhancing access to finance for higher investment opportunities, reducing tax rates and streamlining tax administration to support economic growth and stability.

The Minister expressed that with continued uncertainty surrounding the virus, adapting and adjusting to the evolving socio-economic environment in the medium-term will be challenging and Fiji’s ability to quickly recapture trade and tourism markets once borders reopen is vital.

The following table summarises Government’s medium-term fiscal targets:

Fiscal Targets	2020-2021 Budget \$ million	2021-2022 Target \$ million	2022-2023 Target \$ million
<b>Revenue:</b>	1,673.6	1,805.7	1,886.2
<i>As a % of GDP</i>	16.9%	16.4%	16.3%
<i>Tax revenue</i>	1,465.7	1,626.9	1,708.3
<i>Non-tax revenue</i>	207.9	178.8	177.9
<b>Expenditure:</b>	3,674.6	2,357.1	2,233.6
<i>As a % of GDP</i>	37.1%	21.4%	19.3%
<b>Net deficit</b>	<b>(2,001.0)</b>	<b>(551.4)</b>	<b>(347.4)</b>
<i>As a % of GDP</i>	<b>(20.2%)</b>	<b>(5.0%)</b>	<b>(3.0%)</b>
<b>Debt:</b>	8,256.4	8,807.8	9,155.1
<i>As a % of GDP</i>	83.4%	79.9%	79.1%
<b>GDP at market prices</b>	<b>9,905.3</b>	<b>11,027.5</b>	<b>11,578.9</b>

## Government Policies

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

### Revenue

The framework focuses on rebuilding the competitiveness of the tourism industry, raising domestic demand by lowering prices of goods and services, promoting competition, improving ease of doing business, safeguarding employment and household incomes and reviving overall economic activity. The key revenue principles are as follows:

- Introduce bold taxation and customs tariff reductions to rebuild competitiveness of the tourism industry and support economic recovery.
- Provide tax relief, flexible payment arrangements and targeted tax incentives to assist business cash flows.
- Lower prices of food and household items, consumer goods, equipment, machinery, motor vehicles and other items through major reform to the customs tariff.
- Ensure simple, streamlined taxation and customs administrative processes with a focus to improve ease of doing business.
- Review tariff protection for local manufacturers in view of product quality, domestic pricing and burden on consumers.
- Promote development of the domestic capital market.
- Maintain an overall simple, equitable and non-distortionary tax system and tax laws.

### Expenditure

The budget focuses on providing adequate funding to support the economic recovery and ensuring access to key public services. Expenditure policy is guided by the following principles:

- Reprioritise expenditure to support economic recovery, temporary unemployment assistance and key capital projects to create jobs.
- Review existing expenditure programs and scale back spending in non-priority areas, and temporarily suspend certain initiatives.
- Comprehensive review of the civil service wage bill and curtail remuneration-related expenditure including overtime, meal claims and other allowances.
- Control expenditure on travel, telecommunications, office supplies and consumables, and other incidentals.
- Defer low value-for-money expenditure programmes and focus on high economic impact spending.
- Review major expenditures in the Education sector including the Tertiary Education Loans Scheme ("TELS") and National Toppers Scheme ("NTS").
- Review sugar industry expenditure policies to reduce the burden on Government and taxpayers.
- Mandate proper feasibility and economic cost benefit analyses as a criteria for appraisal and selection of new projects.
- Ensure resources are allocated based on a multi-year perspective and dependent on implementation capacity of agencies.
- Continue funding for social protection initiatives and ensuring it is well targeted.
- Provide adequate funding for road maintenance, public utilities and continuation of essential social services like health and medical services.
- Thorough monitoring of projects and budget utilisation by the Ministry of Economy.

### Debt

- Lower the cost of debt through concessional financing from multilateral and bilateral partners, including refinancing of the global bond due in October 2020.
- Consistent domestic market operations, clear investor guidance and market signalling for market development.
- Maintain an optimal cost and maturity structure for the debt portfolio to ensure prudent liability management.
- Development of the domestic bond market to focus more on liquidity, transparency, secondary market trading, settlement mechanisms and investor diversification.
- Put the debt to GDP ratio back on a downward trajectory in the medium-term.

# Budget Allocations

Please click on the icons for more details.



Ministry of Housing and Community Development - \$13.5 million, a decrease of \$0.2 million from the 2019-2020 revised estimate.



Ministry of Education, Heritage and Arts - \$450.6 million, a decrease of \$22.26 million from the 2019-2020 revised estimate.

Higher Education Institutions - \$81.4 million, a decrease of \$21.3 million from the revised estimate for 2019-2020.



Ministry of Health and Medical Services - \$394.3 million, an increase of \$46.84 million over the 2019-2020 revised estimate.



Ministry of Agriculture - \$65.3 million, an increase of \$3.47 million over the 2019-2020 revised estimate.

Ministry of Sugar Industry - \$53.6 million, a decrease of \$58.88 million over the 2019-2020 revised estimate.



Fiji Roads Authority ("FRA") - \$348.9 million, an increase of \$72.4 million from the 2019-2020 estimate.

Water Authority of Fiji - \$195.4 million, an increase of \$12.4 million from the 2019-2020 estimate.  
Ministry of Infrastructure and meteorological - \$30.6 million, a decrease of \$4.7 million from the 2019-2020 estimate.

Ministry of Waterways and Environment - \$15.9 million, a decrease of \$5.2 million from the 2019-2020 estimate.



Ministry for Women, Children and Poverty Alleviation - \$159 million, an increase of \$14.4 million from the revised 2019-2020 estimate.

Ministry of Youth and Sports - \$11.8 million a decrease of \$4.5 million from the 2019-2020 estimate.



Fiji Police Force - \$200.6 million, an increase of \$37.3 million from the revised 2019-2020 estimate.

Republic of Fiji Military Forces - \$81.0 million, a decrease of the \$8.6 million from the revised 2019-2020 estimate.



Ministry of Commerce, Trade, Tourism and Transport \$87.1 million, a decrease of \$4.6 million from the revised 2019-2020 estimate.



Ministry of Civil Service - \$3 million, no significant movement from the revised 2019-2020 estimate.

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

[Appendix B](#)

# Appendices



# Appendix A: Customs and Excise Import Changes

## Customs Act

Policy	Description
1. Age limit on passenger motor vehicles	<ul style="list-style-type: none"> <li>The age limit requirement on non-hybrid passenger motor vehicles will be removed. Vehicles are still required to be Euro 4 compliant.</li> <li>The age limit requirement for hybrid passenger motor vehicles remains at 5 years.</li> </ul>
2. Luxury Vehicle Levy	<ul style="list-style-type: none"> <li>Luxury vehicle levy imposed on passenger motor vehicles will be removed.</li> </ul>
3. Objection to Tax Decision	<ul style="list-style-type: none"> <li>Customs Act will be amended to allow a taxpayer or importer dissatisfied with a tax decision to lodge an objection with the CEO, FRCS.</li> </ul>
4. Trans-shipment Levy (Fish Levy)	<ul style="list-style-type: none"> <li>The Fish Levy of \$450 per ton will be removed.</li> </ul>
5. Importation of mobile plant, machinery and cranes	<ul style="list-style-type: none"> <li>A restriction will be imposed on the importation of mobile plant, machinery and cranes exceeding 32 tonnes as per Section 80 Land Transport Authority Regulations</li> </ul>

## Local Excise Duty

Policy	Description
1. Decrease in Local Excise Duty on Alcohol	<ul style="list-style-type: none"> <li>The Local Excise Rate on Alcohol will be reduced by 50%.</li> </ul>

## New Local Excise Rates for Alcohol

Description	2019-2020 Rates	2020-2021 Rates
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or less	\$3.43/litre	\$1.72/litre
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or more	\$3.99/litre	\$2.00/litre
Potable Spirit Not Exceeding 57.12 GL	\$75.47/litre	\$37.74/litre
Potable Spirit Exceeding 57.12 GL	\$132.17/litre	\$66.09/litre
Still Wine	\$5.32/litre	\$2.66/litre
Sparkling Wine	\$6.07/litre	\$3.04/litre
Other fermented beverages: Still	\$5.32/litre	\$2.66/litre
Other fermented beverages: Sparkling	\$6.07/litre	\$3.04/litre
Ready to Drink Mixtures of any Alcohol and non-alcoholic beverages of an alcoholic strength by volume of 11.49% or less	\$2.45/litre	\$1.23/litre

## Customs Tariff Act

Policy	Description																																																																							
1. Reduction in Fiscal Duty on passenger motor vehicles	<ul style="list-style-type: none"> <li>Import duty on used passenger motor vehicles will be reduced by 75%. The new import duty structure will be as follows:</li> </ul> <p><b><u>Tariff Structure on Hybrid Vehicles</u></b></p> <table border="1"> <thead> <tr> <th>Cylinder Capacity</th> <th>Description</th> <th>Current Fiscal Duty</th> <th>New Duty Rates</th> </tr> </thead> <tbody> <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>\$4,000 per unit</td> <td>\$1,000 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>\$5,000 per unit</td> <td>\$1,250 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>\$6,000 per unit</td> <td>\$1,500 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>\$13,000 per unit</td> <td>\$3,250 per unit</td> </tr> </tbody> </table> <p><b><u>Tariff Structure on Non-Hybrid Vehicles</u></b></p> <table border="1"> <thead> <tr> <th>Cylinder Capacity</th> <th>Description</th> <th>Current Fiscal Duty</th> <th>New Duty Rates</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Less than 1,000 cc</td> <td>New</td> <td>15%</td> <td>5%</td> </tr> <tr> <td>Used</td> <td>32% or \$7,000/unit</td> <td>15% or \$1,750/unit</td> </tr> <tr> <td rowspan="2">1,000 cc to 1,500 cc</td> <td>New</td> <td>15%</td> <td>5%</td> </tr> <tr> <td>Used</td> <td>32% or \$11,500/unit</td> <td>15% or \$2,875/unit</td> </tr> <tr> <td rowspan="2">1,500 cc to 2,500 cc</td> <td>New</td> <td>15%</td> <td>5%</td> </tr> <tr> <td>Used</td> <td>32% or \$16,000/unit</td> <td>15% or \$4,000/unit</td> </tr> <tr> <td rowspan="2">2,500 cc to 3,000 cc</td> <td>New</td> <td>32%</td> <td>15%</td> </tr> <tr> <td>Used</td> <td>32% or \$23,000/unit</td> <td>15% or \$5,750/unit</td> </tr> <tr> <td rowspan="2">Exceeding 3,000 cc</td> <td>New</td> <td>32%</td> <td>15%</td> </tr> <tr> <td>Used</td> <td>32% or \$28,500/unit</td> <td>15% or \$7,125/unit</td> </tr> </tbody> </table>	Cylinder Capacity	Description	Current Fiscal Duty	New Duty Rates	Less than 1,500 cc	New	Free	Free	Used	\$4,000 per unit	\$1,000 per unit	1,500 cc to 2,500 cc	New	Free	Free	Used	\$5,000 per unit	\$1,250 per unit	2,500 cc to 3,000 cc	New	Free	Free	Used	\$6,000 per unit	\$1,500 per unit	Exceeding 3,000 cc	New	Free	Free	Used	\$13,000 per unit	\$3,250 per unit	Cylinder Capacity	Description	Current Fiscal Duty	New Duty Rates	Less than 1,000 cc	New	15%	5%	Used	32% or \$7,000/unit	15% or \$1,750/unit	1,000 cc to 1,500 cc	New	15%	5%	Used	32% or \$11,500/unit	15% or \$2,875/unit	1,500 cc to 2,500 cc	New	15%	5%	Used	32% or \$16,000/unit	15% or \$4,000/unit	2,500 cc to 3,000 cc	New	32%	15%	Used	32% or \$23,000/unit	15% or \$5,750/unit	Exceeding 3,000 cc	New	32%	15%	Used	32% or \$28,500/unit	15% or \$7,125/unit
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2. Reduction in Fiscal Duty and Removal of Import Excise on white goods	<ul style="list-style-type: none"> <li>To generate demand and business activity, Fiscal Duty on white goods will be reduced while Import Excise will be removed as follows:</li> </ul> <table border="1"> <thead> <tr> <th rowspan="2">Goods</th> <th colspan="3">Current Rates</th> <th colspan="3">New Rates</th> </tr> <tr> <th>Fiscal Duty</th> <th>Import Excise</th> <th>VAT</th> <th>Fiscal Duty</th> <th>Import Excise</th> <th>VAT</th> </tr> </thead> <tbody> <tr> <td>Smart phones</td> <td>Free</td> <td>Free</td> <td>9%</td> <td>0%</td> <td>0%</td> <td>9%</td> </tr> <tr> <td>Air conditioners</td> <td>15%</td> <td>10%</td> <td>9%</td> <td>5%</td> <td>0%</td> <td>9%</td> </tr> <tr> <td>Refrigerators and Freezers</td> <td>15%</td> <td>5%</td> <td>9%</td> <td>5%</td> <td>0%</td> <td>9%</td> </tr> <tr> <td>Televisions</td> <td>15%</td> <td>10%</td> <td>9%</td> <td>5%</td> <td>0%</td> <td>9%</td> </tr> <tr> <td>Washing Machines</td> <td>15%</td> <td>10%</td> <td>9%</td> <td>5%</td> <td>0%</td> <td>9%</td> </tr> <tr> <td>Dryers</td> <td>15%</td> <td>10%</td> <td>9%</td> <td>5%</td> <td>0%</td> <td>9%</td> </tr> <tr> <td>Dishwashers</td> <td>15%</td> <td>10%</td> <td>9%</td> <td>5%</td> <td>0%</td> <td>9%</td> </tr> <tr> <td>Electric Stoves</td> <td>15%</td> <td>10%</td> <td>9%</td> <td>5%</td> <td>0%</td> <td>9%</td> </tr> <tr> <td>Microwaves</td> <td>15%</td> <td>10%</td> <td>9%</td> <td>5%</td> <td>0%</td> <td>9%</td> </tr> <tr> <td>Electric Lawn Mowers</td> <td>5%</td> <td>Free</td> <td>9%</td> <td>5%</td> <td>0%</td> <td>9%</td> </tr> <tr> <td>Toasters</td> <td>15%</td> <td>10%</td> <td>9%</td> <td>5%</td> <td>0%</td> <td>9%</td> </tr> <tr> <td>Electric Jugs</td> <td>15%</td> <td>Free</td> <td>9%</td> <td>5%</td> <td>0%</td> <td>9%</td> </tr> <tr> <td>Hair Dryers</td> <td>15%</td> <td>10%</td> <td>9%</td> <td>5%</td> <td>0%</td> <td>9%</td> </tr> </tbody> </table>	Goods	Current Rates			New Rates			Fiscal Duty	Import Excise	VAT	Fiscal Duty	Import Excise	VAT	Smart phones	Free	Free	9%	0%	0%	9%	Air conditioners	15%	10%	9%	5%	0%	9%	Refrigerators and Freezers	15%	5%	9%	5%	0%	9%	Televisions	15%	10%	9%	5%	0%	9%	Washing Machines	15%	10%	9%	5%	0%	9%	Dryers	15%	10%	9%	5%	0%	9%	Dishwashers	15%	10%	9%	5%	0%	9%	Electric Stoves	15%	10%	9%	5%	0%	9%	Microwaves	15%	10%	9%	5%	0%	9%	Electric Lawn Mowers	5%	Free	9%	5%	0%	9%	Toasters	15%	10%	9%	5%	0%	9%	Electric Jugs	15%	Free	9%	5%	0%	9%	Hair Dryers	15%	10%	9%	5%	0%	9%
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3. Concession for importation by Private Individual	<ul style="list-style-type: none"> <li>Concession for importation by a private individual will be extended to importation by sea freight in addition to the current air freight.</li> <li>The concession is further extended by increasing the maximum threshold of goods imported from \$400 to \$2,000.</li> </ul>																																																																																																								
4. Concession code 241 – concession for bus operators	<ul style="list-style-type: none"> <li>Concession code 241 will be extended to include tickets rolls in addition to new chassis, engines, identifiable fixtures and components, ticketing machines and ticketing machine parts.</li> <li>Additionally, the fiscal duty on identifiable fixtures and components will be reduced from 5% to zero.</li> </ul>																																																																																																								
5. Concession code 223B – concession university, school and other educational institution	<ul style="list-style-type: none"> <li>Concession code 223B will be introduced to allow the importation of educational materials imported by Fiji Airways Aviation Academy (FJAA) for training purposes at Free Fiscal, Free Import Excise and 9% VAT.</li> </ul>																																																																																																								
6. Concession code 231	<ul style="list-style-type: none"> <li>Concession code 231 will be extended to include the importation of innovative packaging materials at the rate of Free Fiscal, Free Import Excise and 9% VAT.</li> </ul>																																																																																																								
7. Concession code 257	<ul style="list-style-type: none"> <li>Concession code 257 will be expanded to include the importation of hydroponic and greenhouse goods at the rate of Free Fiscal and Free Import Excise and 9% VAT.</li> </ul>																																																																																																								

## Customs Tariff Act: Import Duty Rate Changes

Please refer to the separate attachment for details of the import duty rate changes.



# Appendix B: Budget Allocations and Other Key Initiatives

## Poverty Alleviation, Social Empowerment and Rural Development

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

### Social Welfare

Key initiatives	
Poverty Benefit Scheme	Budget allocation of \$38 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 \$55 million has been allocated.
Food Voucher Programme for Rural Pregnant Mothers	Budget allocation of \$1.2 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 \$12.4 million.
Bus Fare Assistance for Old/Disabled Persons	Budget allocation of \$6.5 million.
Persons with Disability	Budget allocation of \$9.3 million.
Social Welfare Top-Up (DFAT)	Budget allocation of \$7.8 million.
Social Welfare Management Information System	Budget allocation of \$2.2 million.

### Women and Gender Development

Key initiatives	
Women's Plan of Action ("WPA")	Budget allocation of \$0.45 million.
Women's Institutions	Budget allocation of \$0.5 million.
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 \$3 million.
Construction of aged Care Home	Budget allocation of \$3.2 million.

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## 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 \$0.1 million.
Public Rental Board (PRB) Subsidy	A sum of \$1.3 million has been allocated to subsidise the rental obligations of PRB tenants.
Housing Assistance Relief Trust (HART)	A budget allocation of \$0.4 million for re-construction, renovation and general maintenance of the existing homes.
Koroipita Model Town	A budget allocation of \$0.5 million.
First Home Purchase Programme	\$3 million allocation for eligible household with a combined annual income below \$50,001 to receive a grant of \$15,000 if they buy a house or \$30,000 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 \$20,000 if they build a house.
First Land Purchase Programme	\$1.0 million allocation.
Surveying for Regulation of Lease and Land Title	A budget allocation of \$0.2 million.
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	\$0.1 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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## Priority Sectors

### Education, Heritage and the Arts

Some of the budget allocations are as follows:

- Contribution to Fiji Higher Education Commission - \$1.9 million
- Contribution to Transport Assistance - \$21.4 million
- Contribution to Tertiary Scholarships and Loans Board - \$1.6 million
- Construction of New Facilities for Government Schools - \$0.2 million
- Completion of New Bau College - \$ 0.6 million
- Aid to Water, Sanitation and Hygiene Programme (UNICEF) - \$1.4 million
- Aid to Education Programme (UNICEF) - \$0.6 million
- Aid to Fiji Higher Education Improvement Programme 2016-2021 (NZMAT) - \$0.4 million
- Free education programme for Year 1 to Year 13 students - \$60.7 million
- Transfer allowance for primary education - \$0.2 million
- Upgrade and Maintenance of Non-Government Primary Schools - \$0.2 million
- Construction of New School Facilities for Non-Government Primary Schools - \$0.2 million

- Grant to Special Schools - \$1.0 million
- Tuition subsidy for Early Childhood Care and Education (ECCE) - \$2.5 million
- Boarding School Food and Supplies in government secondary schools - \$ 2.8 million
- Printing of textbooks - \$2.0 million
- Vocational Grant to Tertiary Technical Education - \$0.3 million
- Examination expense - \$1.4 million
- Grant to Fiji Museum - \$0.5 million
- Grant to Fiji Arts Council - \$0.3 million
- Upgrade of Fiji Museum - \$0.2 million
- Rehabilitation of Levuka World Heritage Structure - \$0.2 million

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## Health

Some of the programmes are as follows:

- Doctors salaries - \$69.5m
- Medical HR contingency - \$2.6m
- Overseas Medical and Consultancy Services - \$1.78m
- Charter of Aircraft: medical evacuation of high-risk patients - \$2.2m
- COVID-19 Response and Preparedness (ADB) - \$4.48, COVID-19 Emergency Response Project (World Bank) - \$6.76, COVID-19 contingency fund - \$25m
- Upgrade and Maintenance of Urban Hospitals and Institutional Quarters - \$2m
- Construction of New CWM Hospital Maternity Unit - \$7m
- Maintenance of Sub-Divisional Hospitals, Health Centres and Nursing Stations - \$2m
- Completion of Navosa Sub-Divisional Hospital - \$4.4m, completion of Rotuma Hospital \$2.3
- Upgrade of Labasa and Lautoka Hospitals - \$5.08m
- Refurbishment of CWMH Emergency Department - \$0.64m
- Purchase of equipment for urban and sub-divisional hospitals, health centres and nursing stations - \$4.82m
- Drugs and medical equipment - X-Ray Materials \$1.8m, Dental Prosthetic Materials \$1.5m, Dressings \$1m, Vaccines \$5.8, Consumables and Medicine \$23.7, Laboratories \$9.1,
- Bio-Medical Equipment - Urban and Sub-Divisional Hospitals - \$7m

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## 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 - \$20.1 million
- Shipping Services Subsidy: supports cost-effective shipping services to maritime routes that are otherwise considered to be uneconomical - \$2.6 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 - \$1.3 million
- Housewiring for EFL Grid Extension Programme - \$7.9 million
- Solar Home Systems Programme - \$0.2 million
- EFL Subsidy Programme - \$5.2 million

### *Waterways and Environment*

Allocations under the Ministry of Environment budget are as follows:

- Flooding alleviation - \$0.9 million
- Protect Fiji's coastal communities - \$1.7 million
- Construction of Naboro Landfill - \$2.8 million
- Drainage and flood protection - \$0.8 million
- Drainage for farmlands - \$0.8 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 - \$24.5 million
- Water distribution system project: improves and expands WAF's ability to distribute clean and safe drinking water to a growing customer base - \$4.8 million
- Wastewater treatment plant - \$7.3 million
- Improvement and upgrade of wastewater distribution System - \$4.5 million
- Rural water supply programme - \$6.4 million
- Rural water carting to non-metered areas - \$3.5 million
- Replacement of water meters - \$1.5 million
- Non-revenue water reduction project - \$2.6 million
- Electrical upgrading project - \$7.1 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 provided by the Asian Development Bank (\$10.6 million), European Investment Bank (\$6.9 million), the Green Climate Fund (\$9.2 million), and local funding (\$24.1 million).

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### **Agriculture**

Key allocations under the Ministry of Agriculture are as follows:

- Development of seed and planting materials, upgrade of Agricultural Chemistry Laboratory, construction of Agronomy Building - \$2.6 million
- Partnership to establish Goat Meat Industry, BTEC, establishment of Brucellosis Free Farms - \$4.4 million
- Livestock Rehabilitation Programme - \$1.3 million

### **Sugar**

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

- Sugarcane Development and Farmers Assistance - \$0.5 million
- Cane Access Roads - \$1.0 million
- Cane Cartage from Penang to Rarawai - \$3.0 million
- Fertiliser Subsidy - \$15.6 million
- Weedicide Subsidy - \$0.5 million
- New Farmers Assistance - \$0.25 million
- Sugar Stabilisation Fund - \$30 million

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This Fiji National Budget Report has been prepared to provide a prompt overview of the general issues raised in the 2020-2021 Fiji National Budget. It does not exhaustively cover the subjects discussed. When specific issues occur in practice it may be necessary to refer to the laws and regulations and to obtain appropriate professional advice.

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