

NATIONAL BUDGET

2020 - 2021



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1.0 Greetings from our PKF aliz pacific teams from our Suva and Nadi Offices

BUSINESS FOCUSED BUDGET

The Fiji Government National Budget 2020-2021 was delivered yesterday 17 July 2020, by the Minister for Economy and the Attorney General giving due consideration to the continuing socio-economic fallout of the COVID-19. The Minister premised his presentation on three principles:

- √ “Bring back jobs”
- √ “Continuing the safety net for those who are unemployed and those who have had salary cuts”
- √ “Providing a strategic and sustainable government stimulus to fill the void of falling investment and consumption”



Giving due cognisance to the global economic outlook and economic recovery through business and private sector as the key driver a whole range of initiatives were announced.

Business support, ease and encouragement dominated the budget presentation as historic and ground breaking incentives such as the abolishment of stamp duties from all transactions from buying a house to cars and any other purchases, elimination of duty for all items under the Customs Tariffs Act, 1986 which includes machinery, mechanical appliances and mechanical parts were two salient measures announced.

Other historic announcements included the removal of business licence requirement for all businesses except those that were high risk such as restaurants, and duty reductions on 1600 consumption items were all part of the stimulus package offered by government.

Additionally tax reforms and incentives such as tax holidays and duty waivers for construction of buildings for government use and hospitals were some notable features of the budget presentation.

Whilst incentivising private sector to bolster business activities government also committed to continue with necessary public spending on infrastructure. Such collaborative efforts will result in the much needed funds injection which is absolutely vital for the economic recovery for Fiji.

Dr Nur Bano Ali
Managing Partner
PKF Fiji

2.0 Budget Estimate

The comparative budget estimates are: -

	Budget Estimate 2020-2021	Revised Estimate 2019-2020	Actual 2018-2019
	\$ (million)	\$ (million)	\$ (million)
Revenue			
Income taxes	462.46	556.36	699.06
Social Responsibility Tax	5.70	7.05	7.60
Fringe Benefit Tax	14.83	28.09	22.81
Capital gains tax	14.97	19.92	24.96
Total Direct Taxes	497.97	611.43	754.43
Indirect Taxes:			
VAT	569.15	616.75	838.03
Customs	295.86	530.43	669.79
Service Turnover Tax (STT)	0.52	62.28	89.57
Water Resource Tax	51.55	56.73	73.64
Departure Tax	21.30	119.06	147.18
Stamp Duty	3.81	64.95	85.17
Fish Levy	-	0.02	0.05
Telecommunication Levy	0.88	0.92	0.98
Third Party Insurance Levy	-	-	0.0003
Environmental and Climate Adaptation Levy	24.67	126.77	160.95
Total Tax Revenue	1,465.71	2,189.33	2,819.78
Fees, Charges, Fines & Penalties	89.09	110.18	133.12
Sales revenue	0.0018	0.0018	0.0005
Grant in Aid	29.11	62.56	41.99
Reimbursement & Recoveries	2.75	2.84	12.66
Other Revenue and Surpluses	25.87	27.55	42.79
Dividends from Investments	106.65	57.66	45.38
Interest from Bank Balances	0.22	1.19	1.44
Repayments of Term Loans Receivable	2.90	4.45	10.91
Sales of Government Assets	-	206.11	5.4
Return of Surplus Capital from Investment	4.20	4.34	6.35
Total Non-Tax Revenue	207.86	509.79	361.31
TOTAL REVENUE	1,673.57	2,599.12	3,181.09
TOTAL EXPENDITURE	3,674.6	3,536.4	3,600.3
Net Budget Deficit	(2,001.0)	(837.2)	(419.20)
Net Deficit as a Percentage of GDP	(20.2)	(8.2)	(3.6)

3.0 Business Incentives

Continuing Incentives for Business from COVID-19 Response Budget

<p>GOVERNMENT SALARY CUTS</p> <ul style="list-style-type: none"> ✓ All elected officials, the PM, Ministers, Assistant Ministers, and all Members of Parliament will have their pay suspended by 20% 	<p>Until 31 December 2021</p>
<p>DEBT FORGIVNESS</p> <ul style="list-style-type: none"> ✓ Debt forgiveness is not subject to income tax for all debt outstanding forgiven from 1 April 2020 to 31 December 2020. 	<p>Continues until 31 December 2021</p>
<p>NEW INCENTIVES FOR BUSINESS</p> <ul style="list-style-type: none"> ✓ 100% write off available for the construction of new commercial buildings provided approvals obtained prior to 31 December 2020 ✓ 100% write off on purchases of fixed assets of up to \$10,000 for business purposes applicable on purchases up to 31 December 2020 ✓ Companies will be required to make advance tax payments in 9 instalments at the rate of 11.11 %; 	<p>These incentives are made permanent</p>
<p>BUSINESS AND INDIVIDUAL ASSISTANCE</p> <ul style="list-style-type: none"> ✓ Deferment of loan repayments (principal and interest) for 6 months ✓ FNPf contribution reduced to 5% ✓ 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; 	<p>Until 31 December 2020 on a case by case basis Until 31 December 2021 Until 31 December 2021</p>
<p>SME ASSISTANCE</p> <ul style="list-style-type: none"> ✓ SMEs Credit Guarantee Scheme will be given additional \$5m in response to COVID-19 ✓ Fiji Investment Corporation Limited (FICL) will be revived to aid SMEs with immediate equity injections and refinancing opportunities. ✓ RBF has expanded Natural Disaster Rehabilitation facility to include COVID-19 and the new facility will be renamed to Disaster Rehabilitation and Containment Facility. 	<p>Continues with additional allocation</p>

<p>EMPLOYEES AND INDIVIDUALS ASSISTANCE</p> <ul style="list-style-type: none"> √ From 1st April 2020 Fijian workers in hospitality Industry who have lost their jobs or have their hours cut since 1 February 2020 can access an initial \$1,000 from their FPNF Account. If the worker does not have enough in their FPNF account, then Government will subsidize the balance All workers with reduced hours or placed with Leave without pay (LWP) in lockdown areas will be able to access \$500 from their FPNF account. Again, government will top up to \$500 any shortfall. √ 6-month loan deferment for Fijians who have lost their jobs or had their hours reduced. This applies to all Hire Purchase, License Institutions and Banks. 	<p>Replaced with New Assistance (refer new Initiatives)</p>
<p>STUDENTS ASSISTANCE</p> <ul style="list-style-type: none"> √ Students under TELS will have their loan repayment suspended until 31 December 2020 	<p>Until 31 December 2021</p>

New Initiatives/Incentives

<p>STAMP DUTY</p> <ul style="list-style-type: none"> √ All stamp duties are abolished; 	
<p>BUSINESS LICENSE</p> <ul style="list-style-type: none"> √ Business license will no longer be required; 	<p>Effective 1st August 2020</p>
<p>ECAL AND SRT</p> <ul style="list-style-type: none"> √ The ECAL component of SRT will be reduced from 10% to 5%; √ The 6% STT on all prescribed services will be removed; 	<p>From 1 August 2020 From 1 August 2020</p>
<p>VAT REVERSE CHARGE</p> <ul style="list-style-type: none"> √ The provisions of VAT Reverse Charge applicable on supplies received from abroad will be repealed; 	<p>From 1 August 2020</p>

<p>DUTY FOR IMPORTING PERSONAL GOODS</p> <ul style="list-style-type: none"> ✓ All personal imports will now be exempt up to \$2000 	<p>From 1 August 2020</p>
<p>THIN CAPITALISATION</p> <ul style="list-style-type: none"> ✓ The debt-to-equity ratio will be increased from the current 2:1 to 3:1 for Off- Shore Borrowings; 	<p>From 1 August 2020</p>
<p>LAND DEVELOPMENT</p> <ul style="list-style-type: none"> ✓ The new Incentive Package for Sub-division of lots will be applicable; 	<p>From 1 August 2020 to 31 July 2022</p>
<p>DUTY CONCESSIONS</p> <ul style="list-style-type: none"> ✓ Duty concession will be available on importation of raw materials, plant, machinery and equipment for the establishment of projects; 	<p>From 1 August 2020</p>
<p>RENTAL INCOME EXEMPTION</p> <ul style="list-style-type: none"> ✓ Tax exemption will be available on rental income from Buildings rented out to Government and or Government approved entities; 	<p>From 1 August 2020</p>
<p>CORPORATE BONDS</p> <ul style="list-style-type: none"> ✓ 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; ✓ Interest income earned on corporate bonds will be exempt from tax 	<p>From 1 August 2020 From 1 August 2020</p>
<p>CGT & INCOME TAX</p> <ul style="list-style-type: none"> ✓ CGT exemption threshold for capital gains made by a resident individual or Fijian citizen will be increased from \$16,000 to \$30,000; ✓ Depreciable Assets will now be taxed under Capitals Gains Tax rules and not income tax rules; Subsequently, disposal of assets will be subject to normal tax; 	<p>From 1 August 2020 From 1 August 2020</p>

<p>MEDICAL SUPPORT</p> <p>✓ 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.</p>	<p>From 1 August 2020</p>
<p>BUSINESS RE-ORGANISATION</p> <p>✓ Transfer of assets by an individual shareholder to a company at the point of incorporation will not be subject to tax;</p>	<p>From 1 August 2020</p>
<p>DONATION TO SPORTS</p> <p>✓ The threshold to qualify for the 150% tax deduction available for donations to the Sports Fund will be removed, the recipient of the donation must be registered with the Fiji National Sports Commission;</p>	<p>From 1 August 2020</p>
<p>SUPPORTING ARTISTS</p> <p>✓ A 150% tax deduction will be allowed to hotels and resorts that hire local artists such as craftsmen, dancers and musicians;</p>	<p>From 1 August 2020</p>
<p>OTHER TAX MEASURES</p> <p>✓ 300% VAT evasion penalty and 75% income tax audit penalty will be replaced with a low, harmonized and progressive audit penalty regime;</p>	<p>From 1 August 2020</p>
<p>✓ 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;</p>	<p>From 1 August 2020</p>
<p>✓ The implementation of the VAT Monitoring System (VMS) as captured in the Electronic Fiscal Device (EFD) Regulations</p>	<p>Deferred to 01 January 2022;</p>
<p>✓ A person engaged in the supply of residential accommodation, irrespective of the annual gross turnover will be exempted from VAT;</p>	<p>From 1 August 2020</p>
<p>✓ The Environment & Climate Adaptation Levy (ECAL) will be reduced from 10% to 5%;</p>	<p>From 1 August 2020</p>
<p>✓ The threshold for application of ECAL will be increased from \$1.25m to \$3m for all prescribed services;</p>	<p>From 1 August 2020</p>

✓	ECAL on Superyacht charter will be reduced from 10% to 5%;	From 1 August 2020
✓	ECAL on white goods will be reduced from the current 10% to 5%;	From 1 August 2020
✓	The age limit requirement on non-hybrid passenger motor vehicles will be removed. Vehicles are still required to be Euro 4 compliant.	From 1 August 2020
✓	The age limit requirement for hybrid passenger motor vehicles remains at 5 years;	Continues
✓	Luxury vehicle levy imposed on passenger motor vehicles will be removed;	From 1 August 2020
✓	Customs Act will be amended to allow a taxpayer or importer dissatisfied with a tax decision to lodge an objection with the CEO, FRCS;	From 1 August 2020
✓	The Fish Levy of \$450 per ton will be removed;	From 1 August 2020
✓	The Local Excise Rate on Alcohol will be reduced by 50%;	From 1 August 2020
✓	A new incentive package will be introduced for investment in the business of sub- Division of lots for residential or commercial purpose.	From 1 August 2020
TELS		
✓	For students repaying Tertiary Education Loans, all repayments will be suspended.	Until 31 December 2021

4.0 KEY PRIORITY ALLOCATIONS

General Administration Sector
\$2.2m to Office of The President
\$14.9m to Office of The Prime Minister
\$10.1m to Office of The Attorney-General
\$64.4m to Ministry of Economy
\$14.1m to Ministry of iTaukei Affairs
\$13.8m to Ministry of Defence & National Security & Policing
\$10.7m to Ministry of Employment, Productivity and Industrial Relations
\$32.7m to Ministry of Foreign Affairs
\$77.7m to Independent Bodies
\$31.2m to Independent Commissions
\$4.6m to Ministry of Justice
\$33.7m to Fiji Corrections Service
\$47.4m to Ministry of Communications
\$3m to Ministry of Civil Service
\$16.6m to Ministry of Rural and Maritime Development & Disaster
\$81m to Republic of Fiji Military Forces
\$200.6m to Fiji Police Force
Economic Services Sector
\$65.3m to Ministry of Agriculture
\$15.5m to Ministry of Fisheries
\$15.7m to Ministry of Forests
\$24.9m to Ministry of Lands & Mineral Resources & Transport
\$87.1m to Ministry of Commerce, Trade, Tourism & Transport
\$53.6m to Ministry of Sugar Industry
\$10.5m to Ministry of Local Government
Social Services Sector
\$450.6m to Ministry of Education, Heritage and Arts
\$394.3m to Ministry of Health and Medical Services.
\$13.5m to Ministry of Housing and Community Development
\$159m to Ministry of Women, Children & Poverty Alleviation
\$11.8m to Ministry of Youth and Sports
\$81.4m to Higher Education Institutions
Infrastructure Services Sector
\$30.6m to Ministry of Infrastructure and Meteorological Services
\$195.4m to Water Authority of Fiji
\$15.9m to Ministry of Waterways and Environment
\$348.9m to Fiji Roads Authority

5.0 DIRECT TAX MEASURES

5.1 Income Tax Act

Policy	Description																								
1. Social Responsibility Tax (SRT) and Environment & Climate Adaptation Levy (ECAL)	√ The ECAL component of SRT will be reduced from 10% to 5%. The new SRT and ECAL structure will be as follows:																								
	<table border="1"> <thead> <tr> <th>Chargeable Income</th> <th>Social Responsibility Tax Payable</th> <th>Environment & Climate Adaptation Levy</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	Social Responsibility Tax Payable	Environment & Climate Adaptation Levy	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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2. Advance Payments of Tax	<ul style="list-style-type: none"> √ The rule for advance payment as amended in the COVID-19 Response Budget will be made permanent. √ Companies will be required to make advance tax payments in nine instalments at the rate of 11.1/9% √ 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. 																								
3. Debt Forgiveness	<ul style="list-style-type: none"> √ 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. √ The existing policy and the forgiveness period for the new debt is extended until 31 December 2021. √ In addition, debts created between 1 April 2020 to 31 December 2021 will also be eligible for income tax exemption under debt forgiveness provisions. 																								

4. Thin Capitalization	<ul style="list-style-type: none"> ✓ The debt-to-equity ratio will be increased from the current 2:1 to 3:1. ✓ Therefore, a higher amount of tax deductibility in relation interest will be allowed for foreign controlled Fiji company.
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Policy	Description
5. Depreciation write-off incentive	<ul style="list-style-type: none"> ✓ A 100% write-off on the purchase of fixed assets of up to \$10,000 used for business purposes was announced in the COVID-19 Response Budget. ✓ In light of the current economic situation, this policy will be made permanent
6. Accelerated Depreciation	<ul style="list-style-type: none"> ✓ 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. ✓ This incentive will be made permanent.
7. Tax deduction for reduction of commercial rent	<ul style="list-style-type: none"> ✓ 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. ✓ The reduction refers to the rent payable after 01 April 2020 to 31 December 2020. ✓ This tax deduction will be further extended until 31 December 2021.

8. New Medical Investment Incentive	<p>The existing package will be repealed and replaced with the following:</p> <p>i. Private Hospital</p> <p>√ Income tax exemption for the establishment of a new hospital based on the following capital investment levels:</p> <table border="1" style="margin-left: 40px;"> <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 style="margin-left: 40px;">√ 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" style="margin-left: 40px;"> <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>ii. Ancillary Medical Services</p> <p>√ Income tax exemption for the establishment of a new ancillary medical service centre based on the following capital investment levels:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th>Capital Investment (\$)</th> <th>Tax Holiday</th> <th>Tax Holiday</th> </tr> </thead> <tbody> <tr> <td>\$500,000 - \$3,000,000</td> <td></td> <td>7 years</td> </tr> <tr> <td>\$3,000,001 - \$10,000,000</td> <td></td> <td>13 years</td> </tr> <tr> <td>More than \$10,000,000</td> <td></td> <td>20 years</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	Tax Holiday	\$500,000 - \$3,000,000		7 years	\$3,000,001 - \$10,000,000		13 years	More than \$10,000,000		20 years
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<p>9. New Incentive Package for Sub-division of lots</p>	<table border="1" data-bbox="561 293 1220 407"> <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>√ 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:</p> <table border="1" data-bbox="557 548 1224 738"> <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> <p>√ Duty concession will be available on importation of raw materials, equipment and machinery for the establishment of the project.</p> <p>√ Income tax exemption will be available on developer profits for proceeds of sale.</p> <p>√ The new Incentive Package for Sub-division of lots will be applicable from 1 August 2020 to 31 July 2022.</p>	Capital Investment (\$)	Tax Deduction	\$500,000 - \$1,000,000	30%	More than \$1,000,000	60%	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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<p>10. New Incentive Package for Private sector investment in buildings</p>	<p>√ A new incentive package will be introduced for private companies investing in buildings to be used by government or entities approved by government.</p> <p>√ The following benefits will be available:</p> <ul style="list-style-type: none"> √ Duty concession will be available on importation of raw materials, plant, machinery and equipment for the establishment of the project. √ Tax exemption will be available on rental income. 																
<p>11. Residential Housing Development Incentive – Development of Housing for Public Rental</p>	<p>√ 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.</p>																

<p>12. Tax incentives for Corporate Bonds</p>	<p>√ To support post COVID-19 recovery through provision of additional avenues for corporate financing, the issuance of corporate bonds will be incentivized as follows:</p> <ul style="list-style-type: none"> √ 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. √ A 150% tax deduction will be allowed on interest paid on corporate bonds. √ Interest income earned on corporate bonds will be exempt from tax.
<p>13. FNPf Contribution</p>	<p>√ 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.</p> <p>√ Employer contribution exceeding the 5% mandatory FNPf contribution and up until 10%, will be allowed a tax deduction of 150% of the excess. The deduction will be applied retrospectively from 1 April 2020.</p>
<p>14. Capital Gains Tax (CGT)</p>	<p>√ CGT exemption threshold for capital gains made by a resident individual or Fijian citizen will be increased from \$16,000 to \$30,000.</p>
<p>15. Income Tax Act – Section 2: Definition of Capital Asset</p>	<p>√ Depreciable Assets will now be taxed under Capitals Gains Tax rules and not income tax rules</p> <p>√ 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.</p>
<p>16. Fringe Benefit Tax</p>	<p>√ A tax deduction will be allowed to the employer for Fringe Benefits Tax. Consequently, Section 22 of the Income Tax Act will be amended.</p>
<p>17. Non-Resident Withholding Tax</p>	<p>√ Section 10 will be amended to exclude accommodation provided or reimbursed, airfare, transport and allowances from the application of Non-Resident Withholding Tax.</p>
<p>18. Permanent Establishment</p>	<p>√ The Permanent Establishment Rules will be amended to allow consistent application with international taxation rules.</p>

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

5.2 Tax Administration Act

Policy	Description
<p>1. Audit Penalty</p>	<ul style="list-style-type: none"> ✓ 300% VAT evasion penalty and 75% income tax audit penalty will be replaced with a low, harmonized and progressive audit penalty regime. ✓ 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. ✓ Consequently, section 46 and Section 46A will be amended and section 46B will be removed.

5.3 Stamp Duty Act

Policy	Description
1. Stamp Duty	√ Stamp Duty Act will be repealed.

5.4 Airport Departure Tax Act

Policy	Description
1. Review of Airport Departure Tax	√ The Airport Departure Tax will be reduced from \$200 to \$100.

6.0 Part 2 – Indirect Tax Measures

6.1 Service Turnover Tax Act

Policy	Description
1. Service Turnover Tax (STT)	√ The 6% STT on all prescribed services will be removed.

6.2 Value Added Tax Act

Policy	Description
1. VAT Monitoring System (VMS)	√ The implementation of the VAT Monitoring System (VMS) as captured in the Electronic Fiscal Device (EFD) Regulations will be further deferred to 01
2. VAT Reverse Charge	√ The provisions of VAT Reverse Charge applicable on supplies received from abroad will be repealed.
3. VAT on Residential Rents	√ A person engaged in the supply of residential accommodation, irrespective of the annual gross turnover will be exempted from VAT.

6.3 Environmental & Climate Adaptation Levy Act

Policy	Description
1. Environment & Climate Adaptation Levy (ECAL)	√ The Environment & Climate Adaptation Levy (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.

2. ECAL on Superyacht Charter.	√ ECAL on Superyacht charter will be reduced from 10% to 5%.																																
3. Environment & Climate Adaptation Levy (ECAL) on Motor Vehicles	<p>√ ECAL on motor vehicles will be reduced from the current 10% to 5%.</p> <p><u>ECAL Structure on Hybrid Vehicles</u></p> <table border="1" data-bbox="455 396 1241 719"> <thead> <tr> <th>Cylinder Capacity</th> <th>Description</th> <th>Current ECAL</th> <th>New ECAL</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Less than 1,500 cc</td> <td>New</td> <td>10%</td> <td>5%</td> </tr> <tr> <td>Used</td> <td>10%</td> <td>5%</td> </tr> <tr> <td rowspan="2">1,500 cc to 2,500 cc</td> <td>New</td> <td>10%</td> <td>5%</td> </tr> <tr> <td>Used</td> <td>10%</td> <td>5%</td> </tr> <tr> <td rowspan="2">2,500 cc to 3,000 cc</td> <td>New</td> <td>10%</td> <td>5%</td> </tr> <tr> <td>Used</td> <td>10%</td> <td>5%</td> </tr> <tr> <td rowspan="2">Exceeding 3,000 cc</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	Less than 1,500 cc	New	10%	5%	Used	10%	5%	1,500 cc to 2,500 cc	New	10%	5%	Used	10%	5%	2,500 cc to 3,000 cc	New	10%	5%	Used	10%	5%	Exceeding 3,000 cc	New	10%	5%	Used	10%	5%
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<p>4. Environment & Climate Adaptation Levy (ECAL) on White Goods</p>	<p>√ ECAL on white goods will be reduced from the current 10% to 5%. The goods are as follows:</p> <ul style="list-style-type: none"> √ Smart phones; √ Air conditioners; √ Refrigerators and Freezers; √ Televisions; √ Washing Machines; √ Dryers; √ Dishwashers; √ Electric Stoves; √ Microwaves; √ Electric Lawn Mowers; √ Toasters; √ Electric Jugs; and √ Hair Dryers.
<p>5. Exemption of ECAL on concession codes 232, 284 and 285</p>	<p>√ 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.</p>
<p>6. Refund of ECAL in line with the duty drawback provisions of Customs Act</p>	<p>√ The ECAL Act will be amended to include provisions of refund for ECAL paid on customs declaration in instances of a re-export.</p>

7.0 Customs Duty Changes

7.1 Customs Act

Policy	Description
<p>1. Age limit on Passenger motor vehicles</p>	<p>√ The age limit requirement on non-hybrid passenger motor vehicles will be removed. Vehicles are still required to be Euro 4 compliant.</p> <p>√ The age limit requirement for hybrid passenger motor vehicles remains at 5 years.</p>
<p>2. Luxury Vehicle Levy</p>	<p>√ Luxury vehicle levy imposed on passenger motor vehicles will be removed.</p>
<p>3. Objection to Tax Decision</p>	<p>√ Customs Act will be amended to allow a taxpayer or importer dissatisfied with a tax decision to lodge an objection with the CEO, FRCS.</p>

4. Trans-shipment Levy (Fish Levy)	√ The Fish Levy of \$450 per ton will be removed.
5. Importation of mobile plant, machinery and cranes	√ 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

7.2 Local Excise Duty

Policy	Description
1. Decrease in Local Excise Duty on Alcohol	√ The Local Excise Rate on Alcohol will be reduced by 50%.

7.3 New Local Excise Rates for Alcohol

Description	2019-2020 Rates	2020-2021 Rates
1. Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or less	\$3.43/litre	\$1.72/litre
2. Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or more	\$3.99/litre	\$2.00/litre
3. Potable Spirit Not Exceeding 57.12 GL	\$75.47/litre	\$37.74/litre
4. Potable Spirit Exceeding 57.12 GL	\$132.17/litre	\$66.09/litre
5. Still Wine	\$5.32/litre	\$2.66/litre
6. Sparkling Wine	\$6.07/litre	\$3.04/litre
7. Other fermented beverages: Still	\$5.32/litre	\$2.66/litre
8. Sparkling	\$6.07/litre	\$3.04/litre
9. 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

7.4 Customs Tariff Act

Policy	Description																																																																							
1. Reduction in Fiscal Duty on passenger motor vehicles	<p>✓ Import duty on used passenger motor vehicles will be reduced by 75%. The new import duty structure will be as follows:</p> <p><u>Tariff Structure on Hybrid Vehicles</u></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><u>Tariff Structure on Non-Hybrid Vehicles</u></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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<p>2. Reduction in Fiscal Duty and Removal of Import Excise on white goods</p>	<p>√ To generate demand and business activity, Fiscal Duty on white goods will be reduced while Import Excise will be removed as follows:</p> <table border="1" data-bbox="384 300 1294 900"> <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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<p>3. Concession for importation by Private Individual</p>	<p>√ Concession for importation by private individual will be extended to importation by sea freight in addition to the current air freight.</p> <p>√ The concession is further extended by increasing the maximum threshold of goods imported from \$400 to \$2,000.</p>																																																																																																								
<p>4. Concession code 241 – concession for bus operators</p>	<p>√ 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.</p> <p>√ Additionally, the fiscal duty on identifiable fixtures and components will be reduced from 5% to zero.</p>																																																																																																								
<p>5. Concession code 223B – concession university, school and other educational institution</p>	<p>√ 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.</p>																																																																																																								
<p>6. Concession code 231</p>	<p>√ 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.</p>																																																																																																								
<p>7. Concession code 257</p>	<p>√ 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.</p>																																																																																																								

8.0 Information on Economy

8.1 Key Economic Outlook Indicators

	2022 Forecast	2021 Forecast	2020 Forecast	2019 Revised	2018 Provisional
Economic Growth (%)	6.5	14.1	(21.7)	(1.3)	3.5
Inflation (%)	2.0	1.4	1.0	(0.9)	4.8
Visitor (Tourist) Arrivals	715,511	447,195	223,597	894,389	870,309
Sugar Export in (Tons)	157.6	149.3	140.9	145.6	114.4
Gold Exports in FJD millions	161.0	121.1	116.7	108.6	113.7
Fish Exports in FJD millions	73.0	67.8	54.7	95.2	100.8
Mineral Water Exports in FJD millions	339.0	308.2	205.5	293.5	263.6

8.2 Government's Cash flow Statement

Total Operating Receipts	3,118.60	2,437.40	1,621.40
Payments			
Personnel	1,017.00	990.10	987.40
Transfer Payments	719.90	673.90	662.30
Supplies and Consumables	277.40	264.60	259.10
Special Expenditures	87.40	102.60	82.40
Interest	322.80	349.70	403.00
Other Operating Payments	3.90	11.80	27.20
Total Operating Payments	2,428.40	2,392.70	2,421.50
Net Cashflows from Operating Activities	690.10	44.60	(800.00)
As % of GDP	5.90%	0.40%	-8.10%
Receipts			
Sale of Government Assets	5.40	206.10	-
Interest from Bank Balance	1.40	1.20	0.20
Repayment of Term Loans and Advances	10.90	4.50	2.90

Return of Surplus Capital from Investments	6.40	4.30	4.20
Total Investing Receipts	24.1	216.1	7.3
Payments			
Loans	101	138	113.6
Transfer Payments	871.3	796	908.8
Purchase of Physical Non-Current Assets	161.2	163.9	185.9
Total Investing Payments	1,133.50	1,097.90	1,208.30
Net Cashflows from Investing Activities	(1,109.40)	(881.90)	(1,201.00)
As % of GDP	-9.50%	-8.60%	-12.10%
Net (Deficit)/Surplus	(419.20)	(837.20)	(2,001.00)
As % of GDP	-3.60%	-8.20%	-20.20%

DISCLAIMER

The contents of this publication have been extracted from the Budget Address and Budget Estimates provided to us by the Ministry of Economy. Accordingly, whilst every care has been taken in the preparation of the publication no responsibility is accepted for persons acting on this information without prior consultation.

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