



Fiji Budget 2016/17

22 June 2016

The Honourable Attorney-General and Minister for Finance, Public Enterprises, Public Service and Communications, Aiyaz Sayed-Khaiyum presented his 2016/17 Budget on Wednesday, 22 June 2016.

This budget newsletter sets out highlights of the budget measures.

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Highlights

Highlights of the budget include:

- a budget deficit of \$468.0 million (or -4.7 percent of GDP) in 2016/17 compared to a budget deficit of \$146.0 million (or -1.6 percent of GDP) for 2015/16
- revised growth forecasts of 3.6 percent in 2017, 2.4 percent in 2016 and 4.2 percent in 2015
- growth estimate for Government's fiscal year (Aug 2016 to Jul 2017) is 2.8 percent
- inflation forecasts of 2.0 percent in 2016 and 2017 and 2.5 percent in 2018, up from 1.6 percent in 2015 and 0.1 percent in 2014
- budgeted operating expenditure to capital expenditure ratio of 60:40 in 2016/17 compared with 68:32 in 2015/16 and 67:63 in 2014/15
- over \$200.0 million (or slightly more than 2 percent of GDP) related to TC Winston rehabilitation and reconstruction
- new incentive package for investment in electric vehicle charging stations: 7 year tax holiday, subsidy for capital expenditure greater than \$3.0 million and 8 year carry forward of losses
- reintroduction of deemed dividend provisions
- generous employment taxation scheme incentives, expiring in 2020 or 2022
- amendment to Tax Free Region Regulations to allow Minister to extend commencement date and change conditions of licence
- removal of credit card levy
- related party debt forgiveness to be taxed under the Income Tax Act
- service turnover tax and environmental levy to apply to bus companies that engage in carriage of tourists
- ad valorem duty to be charged on any instrument of nomination, novation or assignment
- residential property rental businesses deriving more than \$100,000 per annum no longer VAT exempt
- new VAT monitoring system to be introduced

Economic Outlook Statistical Analysis

	2016/17 Budget \$M	2015/16 Revised \$M	2014/15 Actual \$M	2014 Actual \$M	2013 Actual \$M
Direct taxes	659.9	582.0	538.6	518.4	442.6
Indirect taxes - VAT	910.9	831.2	757.7	736.7	724.0
Indirect taxes - Customs	678.5	565.7	534.8	513.6	443.0
Indirect taxes - Service/Hotel Turnover Tax	70.4	64.2	60.9	58.0	51.6
Indirect taxes - Water Resource Tax	51.9	42.3	35.1	34.7	29.5
Indirect taxes - Airport Departure Tax	156.7	149.3	131.4	122.9	95.9
Stamp duties	81.6	74.5	66.7	68.6	43.7
Levies and other indirect taxes	17.3	18.6	7.3	7.3	7.5
Fees, fines, charges & penalties	111.8	109.2	100.9	105.0	94.5
Other income	129.9	115.4	139.4	132.3	112.2
Total operating receipts	2,868.9	2,552.4	2,372.8	2,297.5	2,044.5
Total operating payments	(2,138.5)	(1,977.9)	(1,797.5)	(1,735.6)	(1,508.3)
Net operating surplus	730.4	574.5	575.3	561.9	536.2
Investment receipts	255.7	193.6	6.0	15.9	12.2
Investment payments	(1,454.1)	(914.1)	(865.9)	(930.1)	(586.3)
Net (deficit)	(468.0)	(146.0)	(284.6)	(352.3)	(37.9)
Percent of GDP	-4.7%	-1.6%	-3.2%	-4.1%	-0.5%

Other Key Economic Outlook Indicators

	2018 Forecast	2017 Forecast	2016 Forecast	2015 Estimate	2014 Provisional
Economic growth in percent	3.2	3.6	2.4	4.2	5.3
Inflation rate in percent	2.5	2.0	2.0	1.6	0.1
Visitor arrivals (000)	898,782	855,983	815,222	754,835	692,630
Sugar export in tonnes	230,000	187,500	134,600	191,900	204,600
Gold exports in FJD millions	132.5	122.1	111.3	103.4	91.0
Fish exports (incl re-exports) in FJD millions	316.1	307.8	298.7	288.9	302.0
Mineral water exports in FJD millions	222.3	211.7	201.6	188.4	186.3

General commentary

- Government's fiscal policy since 2007 has been focused on promoting growth whilst maintaining fiscal and macro economic stability.
- In pursuing these core policy objectives, Government endeavours to achieve the following key macro-economic targets:
 - attaining growth of 5 percent in the medium term
 - maintain investment levels above 25 percent of GDP
 - manage inflation at around 3 percent
 - maintain foreign reserves level to cover 4 to 5 months of import
 - maintain Government debt at sustainable levels
 - contain the budget deficit at or less than 3 percent each year
- Government's 2016/17 budget policies ensure consistency and support for post TC Winston reconstruction, including continuing incentives in home ownership, improved medical services, new business development and encourage tax compliance.

Income tax

Income tax measures introduced:

- new incentive package for setting up electric vehicle charging stations
 - 7 years tax holiday
 - subsidy up to maximum of 5 percent of capital outlay where minimum capital of \$3 million, or 7 percent of capital outlay where capital of more than \$10 million
 - carry forward losses of 8 years
- reintroduction of deemed dividend provisions from tax year 2016
- new employment taxation scheme provisions
 - 200 percent tax deduction on apprenticeship up to 6 months in year before graduation, as part of course requirement
 - 200 percent tax deduction on wages paid to students employed up to 3 months in a year during holidays
 - 300 percent tax deduction on wages paid on employment of disabled people who will be employed continuously for 3 years
 - 150 percent tax deduction of employees' education fees for upskilling/professional qualifications
 - the above will expire in 2020, except the 300 percent deduction on the employment of disabled people which will expire in 2022
- forfeited deposits will be taxed as income
- debt forgiveness (between related parties) will be taxed

Changes to existing provisions:

- increase in the rate to 200 percent on first time employment scheme, effective from 1 August 2016
- removal of the first \$200 interest exemption in line with treating resident interest withholding tax as final tax
- amendments to Tax Free Region (TFR) regulations
 - the Minister has powers to extend time of commencement of business
 - the Minister has powers to amend the conditions of the TFR licence

- reimbursement of expense under profession fees will be subject to non resident withholding tax

Tax Administration Decree

- amendment to prescribe time for furnishing of documents under Administrative Summons
- amendment to align Court of Appeal rules for 42 days

Capital gains tax (CGT)

- series of disposal of principal place of residence will be subject to CGT
- extension of the definition of capital assets to include ships and boats

Service turnover tax (STT) and Environmental levy (EL)

- extension of STT and EL to bus companies that engage in the carriage of tourists

Stamp duties

- ad valorem duty to be levied on any instrument of nomination, novation or assignment as a transfer on sale

Credit card levy

- removal of the 3 percent credit card levy from 1 August 2016

Value added tax (VAT)

- amendment to extend VAT to business of residential accommodation rentals exceeding \$100,000 per year
- amendment to apply a market lending rate determined by RBF to interest on late refunds
- introduction of supporting laws for new VAT monitoring system

FRCA Act

- alignment of FRCA's financial year with Government's new financial year

Airport Departure Tax Act

- waiver of departure tax for transit passengers where stop-over is less than 72 hours

Customs Tariff Act

Changes to Act

- to accommodate and create provision for goods of humanitarian aid and natural disaster relief to expedite clearance process
- to align tariff rates on infant food to Concession Code 104
- to amend tariff heading 0105 to remove "day old" (in reference to "day old chicks")

Fiscal duty increases

- on second-hand vehicles as follows:
 - >1000 and <1500cc : \$7,500

- >1500 and <2500cc: \$11,500
- >2500 and <3000cc: \$18,000
- >3000cc: \$23,000

- on second-hand hybrid vehicles as follows, effective 1 January 2017:

- <1500cc: \$2,000
- >1500 and <2500cc: \$2,500
- >2500 and <3000cc: \$3,000
- >3000cc: \$6,500

- from 0 percent to 32 percent on cash register thermal and bond rolls
- by 15 percent on cigarettes, tobacco and alcohol

Fiscal duty decreases

- from 32 percent to 5 percent on 2 and 3-seater panel vehicles less than 3 tonne
- from 32 percent to 15 percent or \$6,770 to \$3,000, whichever is greater, on second-hand goods trailer for trucks and boats
- from 32 percent to 5 percent on rough terrain vehicles (RTV)
- from 5 percent to 0 percent on all modems
- from 32 percent to 5 percent on batteries used for telecommunication related equipment
- from 5 percent to 0 percent on fibre optic cables
- from 15 percent to 5 percent on vape mats
- from 32 percent to 5 percent on surgical gloves
- from 5 percent to 3 percent on dress patterns
- from 15 percent to 5 percent on new passenger vehicles with engine capacity not exceeding 2500cc, from 1 January 2017
- removal of duty on materials for rehabilitation of the Fiji Pearl Industry, for a period of one year (concession code 248)

Import excise duty increase

- on imported cigarettes

Excise duty increases

- on sugar sweetened and carbonated drinks by 20 cents per litre
- ale, beer, stout and other fermented liquors of an alcoholic strength of:
 - 3 percent or less by 34 cents per litre
 - 3 percent or more by 39 cents per litre

- potable spirit:
 - not exceeding 57.12 GL by \$7.44 per litre
 - exceeding 57.12 GL by \$13.04 per litre
- wine:
 - still by 53 cents per litre
 - sparkling by 60 cents per litre
- other fermented beverages:
 - still by 53 cents per litre
 - sparkling by 60 cents per litre
- ready to drink mixtures of any alcoholic strength by volume of 11.49 percent or less by 24 cents per litre
- cigarettes from local tobacco per 10 sticks by 22.88 cents
- cigarettes from imported tobacco per 10 sticks by 34.31 cents
- manufactured tobacco containing tobacco, or portions thereof:
 - grown outside Fiji by \$19.77 per kilogram
 - grown in Fiji by \$11.61 per kilogram

Changes to Customs Act

- alignment to Tax Administration Decree
 - recovery of duties to be extended to properties of importers and agents
 - timelines for recovery of duty:
 - in the case of perishable goods, within a period the Comptroller considers reasonable having regard to the condition of the goods
 - in any other case, within 10 consecutive days after the distress is executed
- amendment to allow disposal of detained or prohibited goods in any manner determined by Comptroller
- introduce stringent requirements for life jackets and life belts suppliers to *"be able to respond by 24 hours and also supply as and when required by the purchaser"*

- increase in application fee for claim of refund of duty from \$2 to \$50 and for duty drawback claim from \$20 to \$50
- increase in all Customs fee and charges
- holistic re-write of Customs legislation to align with WCO and WTO requirements

Changes to Customs Regulations

- amend regulation 47 to impose an additional fee per entry per day if entries are not claimed and collected within 4 working days after lodgement

Water Resource Tax Promulgation

- increase in rates from:
 - 0.11 cents to 1 cent per litre for extraction of up to 3,499,999 litres of water per month
 - 15 cents to 18 cents per litre for extraction of 3,500,000 litres of water or more per month

Expenditure

Major expenditure measures and budgetary allocations include:

- \$132.0 million for cyclone rehabilitation of 250 schools
- \$448.5 million for Education, Heritage and Arts
- \$244.0 million for Health
- \$27.6 million marketing grant for Tourism Fiji
- \$27.5 million for Sugar
- \$527.2 million for Fiji Roads Authority, including \$31.8 million for cyclone rehabilitation of roads, bridges and jetties
- \$308.6 million for Water Authority of Fiji
- \$96.4 million for Military
- \$131.7 million for Police

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IMPORTANT

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