



“Turning promises into deeds” 2015 National Budget Brief

The 2015 budget carries on with the focus of the 2014 budget in terms of spending education and infrastructure

The Honorable Minister for Finance delivered today the 2015 National Budget address.

A snapshot of key numbers are:

Economy:

| Year | GDP growth | Inflation | Exports growth | Imports growth |
|-------|------------|-----------|----------------|----------------|
| 2015* | 4.0% | 3.5% | +3.5% | + 4.8% |
| 2014* | 4.2% | 1.5% | +8.0% | + 10.7% |
| 2013 | 4.6% | 3.4% | -6.7% | - |

Government in F\$ million:

| Year | Operating revenue | Operating Costs | Net capital spend | Deficit | % of GDP |
|-------|-------------------|-----------------|-------------------|---------|----------|
| 2015* | 2537 | (1939) | (812) | (214) | 2.5% |
| 2014* | 2326 | (1658) | (827) | (159) | 2.0% |
| 2013 | 2044 | (1508) | (574) | (38) | 0.5% |

* Forecast

The Government of Fiji for the first time in 2013 has exceeded F\$2 billion in revenue. The theme of the 2015 budget is continuing the substantial upgrade of the country's infrastructure. In 2015 the Fiji Roads Authority will receive \$636 million and the Water Authority of Fiji will receive \$176 million in capital grants. Government revenue is expected to increase will the 3 large scale divestments being the Fiji Electricity Authority, Airports Fiji and Fiji Ports Corporation in 2015.

From a corporate point of view there are no major changes and the corporate tax rate remains at 20%. There are new income tax incentives for businesses involved in agriculture and information technology. Exporters are also being encouraged with the export income tax deduction increasing from 40% to 50%.

The compulsory employer superannuation contribution to the Fiji National Provident Fund of 8% is to increase to 10% from 1 January 2015.

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Economics

The Fiji economy is forecast to grow at 4.2% in 2014 and 4.0% in 2015

Economics

Key forecasts

Fiji's Real Gross Domestic Product "GDP" in 2014 is forecast to grow by 4.2% (3.8% was earlier forecast), which is expected to be driven by all sectors of the economy excluding fishing and mining. The favourable growth rate is largely driven by the construction and manufacturing sectors. Fiji's growth rate in 2013 was also 4.6% recording a fourth year of growth.

In 2015 real GDP is projected to grow by 4.0% and in 2016 the economy is forecast to grow by 3.0%.

Real GDP takes out the effect of inflation so is important in measuring real changes over time.

The world economy is forecast by the International Monetary Fund to grow at 3.3% (3.3% in 2013) in 2014. Growth for 2015 is forecast at 3.8%.

Growth in the global economy is led by the United States and United Kingdom which is offset by modest growth in Japan and weakness in the Euro zone.

Exports are forecast to grow by 8.0% in 2014 largely due to higher re-exports. Fish including re-exports continues to be the largest commodity export earner for the country. Sugar exports also forecast to increase to \$182m in 2014 compared to \$142m in 2013. Sugar exports achieved a record low in 2010 at \$70.1m.

In 2015 and 2016 exports are expected to grow by 3.5% and 4% respectively due to growth in all major export categories.

Imports are forecast to increase by 10.7% in 2014. Mineral fuels are the largest import category at 28% of all imports in 2014.

For 2015 and 2016 import growth is estimated at 4.8% and 4.4% respectively.

Higher growth in imports in 2014 and 2015 is attributed to all categories of imports which mirrors the increase in economic activity in Fiji.

The current account deficit is expected to be 8.1% of GDP in 2014 compared to 2% in 2013 due to the significant increase in import of goods.

Fiji's monetary policy continues to be centered on safeguarding foreign reserves and maintaining low inflation that will support growth and investment. At the end of October 2014 foreign reserves were around \$1.75 billion (2013: \$1.78 billion) sufficient to cover 4.6 months of retained imports of goods and non-factor services.

Interest rates are expected to remain low in the medium term in light of excess liquidity in the banking system. The high level of liquidity in the banking system continues to place downward pressure on commercial banks' lending and deposit rates. The commercial banks weighted average lending rate fell from 6.06% in September 2013 to 5.69% in September 2014.

Underlying inflation in 2013 was 3.4% and for 2014 and 2015 is projected at 1.5% and 3.5% respectively. Inflation was impacted in 2014 by the Government's free primary and secondary school education initiative.

Exchange rate movements reflect that over the year (September 2014) the Fiji dollar strengthened against the Australian dollar (2.6%), the Japanese Yen (7.3%), the Euro (2.0%) and the New Zealand dollar (2.2%) but declined against the US dollar (4.1%).

Economics

At a glance

Table 1: Government of Fiji Statement of Cash Flows

| | \$1 million in Fiji dollars | | | | | |
|-------------------------------|------------------------------------|-------------|-------------|-----------------------|-------------|---------|
| | Actual 2011 | Actual 2012 | Actual 2013 | Revised Forecast 2014 | Budget 2015 | |
| Year Ended 31 December | <i>Operating Cashflows</i> | | | | | |
| | Core tax receipts | 1,547 | 1,672 | 1,838 | 2,094 | 2,331 |
| | Core other receipts | 213 | 187 | 206 | 232 | 206 |
| | Total Operating Receipts | 1,760 | 1,859 | 2,044 | 2,326 | 2,537 |
| | Core payments | (1,102) | (1,172) | (1,248) | (1,397) | (1,664) |
| | Interest | (258) | (258) | (260) | (261) | (275) |
| | Total Operating Payments | (1,360) | (1,430) | (1,508) | (1,658) | (1,939) |
| | Operating balance | 400 | 429 | 536 | 668 | 598 |
| | <i>Investing cashflows</i> | | | | | |
| | Investing receipts | - | 28 | 12 | 15 | 510 |
| | Loans | - | - | (1) | (39) | (61) |
| | Non-current assets | (202) | (225) | (91) | (124) | (205) |
| | Other investing outflows | (292) | (309) | (494) | (679) | (1,056) |
| | Total Net Investing Payments | (494) | (506) | (574) | (827) | (812) |
| | Surplus/ (Deficit) | (94) | (77) | (38) | (159) | (214) |
| | <i>Debt</i> | | | | | |
| | Domestic debt | 2,734 | 2,744 | 2,744 | 2,841 | |
| | External debt | 832 | 936 | 1,081 | 1,168 | |
| | Closing Government Debt | 3,566 | 3,680 | 3,825 | 4,009 | 4,223* |
| | <i>Economic Indicators</i> | | | | | |
| | Real GDP at constant prices | 4,933 | 5,023 | 5,256 | 5,476 | 5,692 |
| | Real GDP growth | +2.7% | +1.8% | +4.6% | +4.2% | +4.0% |
| | Nominal GDP (at market price) | 6,543 | 6,890 | 7,442 | 8,066 | 8,565* |
| | Tourism numbers \$000 | 675 | 660 | 658 | 681 | 701 |
| | Sugar production (000 tonnes) | 138 | 144 | 171 | 175 | 189 |
| | <i>Ratios as a % of normal GDP</i> | | | | | |
| Taxation as % of GDP | 23.6 % | 24.2% | 24.6% | 25.9% | 27.2% | |
| Core payments as % of GDP | 16.8% | 17.0% | 16.7% | 17.3% | 19.4% | |
| Public debt/interest as % GDP | 3.9% | 3.7% | 3.5% | 3.2% | 3.2% | |
| Deficit as % of GDP | 1.4% | 1.1% | 0.5% | 2.0% | 2.5% | |
| Government debt as % of GDP | 54.5% | 53.4% | 51.4% | 49.7% | 49.3% | |

The table represents the Government of Fiji Statement of Operating Cash Flows based on cash/ semi accrual accounting. The Statement is not audited by the Auditor General. There are inherent limitations with this snapshot as the Fiji Government does not use accrual accounting generating a Statement of Financial Performance and Position and ultimately the net worth of taxpayers.

*Estimated

Economics

Commentary:

- ▶ As depicted above the Government of Fiji is forecasting higher receipts in 2014 and 2015 driven by expected increases in core tax receipts. Since 2011 the Government of Fiji has increased core tax receipts from 23.6% of nominal GDP in 2011 to 27.2% of nominal GDP in 2015.
- ▶ Government operating payments have been relatively well controlled as a percentage of nominal GDP but are expected to increase significantly in 2015 to 19.4% of nominal GDP.
- ▶ The operating balance (operating cash flow) forecast for 2014 and 2015 are estimated at \$668 million and \$598 million respectively.
- ▶ Investing cash inflows for 2015 are expected to be substantial at \$510 million which comprises the expected proceeds from the divestment of Government assets namely in Airports Fiji Limited, Fiji Ports Corporation and the Fiji Electricity Authority.
- ▶ Investing cash outflows are expected to increase substantially especially in 2015 as the Government is continuing the program to invest in Fiji's roads, bridges and infrastructure. Capital expenditure in 2014 for the first time exceeded F\$1 billion.
- ▶ As a result the deficit as a percentage of GDP is forecast at 2.0% of nominal GDP in 2014 and is expected to increase to 2.5% of nominal GDP in 2015. It should be noted that to achieve the 2015 deficit funds forecast from the proceeds of asset sales will need to be realised.

Economics

Receipts

Table 2: Breakdown of Government receipts

| Year Ended 31 December | \$1 million in Fiji dollars | Actual | Actual | Actual | Revised | Budget |
|------------------------|-------------------------------------|--------|--------|--------|---------------|--------|
| | | 2011 | 2012 | 2013 | Forecast 2014 | 2015 |
| | Operating receipt | | | | | |
| | <i>Core tax receipts</i> | | | | | |
| | Direct tax | 479 | 493 | 443 | 516 | 583 |
| | Indirect tax - VAT | 575 | 614 | 724 | 775 | 817 |
| | - Customs | 343 | 371 | 443 | 515 | 605 |
| | - Others | 150 | 194 | 228 | 288 | 326 |
| | Total core tax receipts | 1,547 | 1,672 | 1,838 | 2,094 | 2,331 |
| | <i>Core other receipts</i> | | | | | |
| | Fees, fines and charges | 100 | 87 | 95 | 101 | 100 |
| | Other | 113 | 100 | 111 | 131 | 106 |
| | | 213 | 187 | 206 | 232 | 206 |
| | Total Operating Government Receipts | 1,760 | 1,859 | 2,044 | 2,326 | 2,537 |
| | Investing Receipts | - | 28 | 12 | 15 | 510 |
| | % of Nominal GDP | | | | | |
| | Core tax revenue | 23.6% | 24.2% | 24.6% | 25.9% | 27.2% |
| | Core other revenue | 3.2% | 2.6% | 2.8% | 2.9% | 2.5% |
| | Total operating receipts | 26.8% | 26.7% | 27.4% | 28.8% | 29.7% |
| | Investing receipts | 0% | 0.4% | 0.2% | 0.2% | 6.0% |

Commentary:

- ▶ Direct taxes comprises personal tax (PAYE), corporate tax, dividend withholding tax, capital gains tax, social responsibility levy and fringe benefit tax. This tax source is expected to gradually increase in 2014 and 2015 in line with general business growth.
- ▶ Indirect tax the main contributors being VAT and customs duties are expected to increase substantially in 2015 which takes into account expected economic growth forecasts for 2015. VAT collected accounted for 35% of Government revenue in 2013 and growth is expected from broad based consumption spending.
- ▶ Included in other revenue are departure tax receipts which are expected to increase to \$132 million in 2015 from \$118 million in 2014.
- ▶ Core tax revenue as a proportion of nominal GDP is forecast to increase at around 27.2% of GDP in 2015 which is a 5% increase compared to 2014. In 2015 the Government is expecting additional revenue from the divestment of:
 - FEA \$250 million;
 - Airports Fiji \$125 million; and
 - Fiji Ports \$180 million.

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Payments

Table 3: Breakdown of Government payments

| Year Ended 31 December | \$1 million | Actual 2011 | Actual 2012 | Actual 2013 | Revenue Estimates 2014 | Budget 2015 | |
|-------------------------------|------------------------|----------------|----------------|----------------|------------------------------|----------------|--|
| | <i>Operating costs</i> | | | | | | |
| | Personnel | - | - | 623 | 773 | 864 | |
| | Transfer payments | - | - | 379 | 415 | 489 | |
| | Other operating | - | - | 246 | 209 | 311 | |
| | Interest/ Public debt | 266 | 258 | 260 | 261 | 275 | |
| | Total Core Payments | 1,360 | 1,430 | 1,508 | 1,658 | 1,939 | |
| | <i>Capital costs</i> | | | | | | |
| | Loan payments | - | - | 1 | 39 | 61 | |
| | Non-current assets | 202 | 225 | 91 | 124 | 205 | |
| Transfer payments | 292 | 309 | 494 | 678 | 1,056 | | |
| Total Capital Expenditure | 494 | 534 | 586 | 841 | 1,322 | | |
| Total Expenditure | 1,854 | 1,964 | 2,094 | 2,499 | 3,261 | | |
| As a % of Nominal GDP | | | | | | | |
| Personnel | - | - | 8.4% | 9.6% | 10.1% | | |
| Payments | - | - | 5.1% | 5.1% | 5.7% | | |
| Other operating | - | - | 3.3% | 2.6% | 3.6% | | |
| Interest | 4.0% | 3.7% | 3.5% | 3.2% | 3.2% | | |
| Total Operating Payments | 20.7% | 20.7% | 20.3% | 20.5% | 22.6% | | |
| Capital expenditure/ transfer | 7.6% | 7.8% | 7.9% | 10.4% | 15.4% | | |
| Total Payments as a % of GDP | 28.3% | 28.5% | 28.2% | 30.9% | 38.0% | | |

Note: these are differences between Table 1 and Table 3 due to rounding

Commentary:

- ▶ The largest component of Government's core payments are personnel costs which was \$623 million in 2013 (41% of operating payments) and is expected to increase substantially in 2014 to \$773 million which is attributed to an increase in wages and salaries for civil servants in 2013 reflected in 2014. Personnel costs are forecast at 45% of operating payments in 2015.
- ▶ As a proportion of nominal GDP core payments have remained relatively consistent from 2011 to 2014 but are forecast to increase by 10% in 2015.
- ▶ Government in recent years has increased capital expenditure considerably and in 2015 this is budgeted to be 40.5% of total Government expenditure. The largest recipient of the capital budget in 2015 will be the Fiji Roads Authority which is budgeted at \$635 million (2014 \$455 million) or 48% of budgeted capital expenditure. There will also be a substantial increase in the capital grant to the Water Authority of Fiji in 2015 amounting to \$176.1 million.

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Debt of Government debt

Table 4: Breakdown of Government of Fiji debt

| F\$ million | 2009(A) | 2010(A) | 2011(A) | 2012 (A) | 2013 (A) | 2014(F) |
|-----------------------------|---------|---------|---------|----------|----------|---------|
| Domestic Debt | 2,605.0 | 2,834.7 | 2,734.4 | 2,744.0 | 2,744.2 | 2840.9 |
| External Debt | 527.2 | 548.5 | 832.1 | 935.5 | 1,081.1 | 1167.6 |
| Total Debt | 3,132.2 | 3,383.2 | 3,566.5 | 3,679.5 | 3,825.3 | 4008.5 |
| Increase in Government Debt | - | +8% | +5.4% | +3.1% | +4.0% | +4.8% |
| Debt (as a % of GDP) | 54.7% | 54.7% | 54.5% | 53.4% | 51.4% | 49.5 |
| Domestic/Total Debt Ratio | 83.2% | 83.8% | 76.7% | 74.6% | 71.7% | 72.0 |
| External/Total Debt Ratio | 16.8% | 16.2% | 23.3% | 25.4% | 28.3% | 28.0 |

(f) Forecast

Commentary:

- ▶ As depicted in Table 4, the overall debt position of the Government of Fiji is forecast at \$4.009 billion at 31 December 2014, comprising \$2.8 billion of domestic debt and \$1.6 billion of external debt. This represents an increase of 4.8% percent when compared to the 2013 debt levels of \$3.8 billion.
- ▶ Included in external debt is the US\$250 million global bond due for repayment in March 2016.
- ▶ Government debt for the first time in a number of years is forecast to be below 50% of GDP at 31 December 2014 at 49.5%.

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Contingent Liabilities

Table 5: Breakdown of Contingent Liabilities

| \$ Million in Fiji Dollars | 2010 | 2011 | 2012 | 2013 | June 14 |
|---|----------------|---------------|----------------|---------------|---------------|
| Fiji Development Bank | 322.9 | 257.2 | 250.0 | 190.0 | 174.3 |
| Fiji Electricity Authority | 346.5 | 353.9 | 323.5 | 297.9 | 338.4 |
| Fiji Harwood Corporation | 17.2 | 16.6 | 16.0 | 15.3 | 14.0 |
| Fiji National Provident Fund | 758.4 | 1,008.0 | 1,247.6 | 1369.8 | 1582.5 |
| Fiji Pine Limited | 8.4 | 13.7 | 17.1 | 13.5 | 4.5 |
| Fiji Sugar Corporation | 121.9 | 116.4 | 111.8 | 156.0 | 156.2 |
| Housing Authority | 86.0 | 82.6 | 105.5 | 79.8 | 79.8 |
| Fiji Sports Council | 1.1 | 0.9 | 0.6 | 13.0 | 10.6 |
| Fiji Ports Corporation Limited | 41.5 | 39.9 | 31.5 | 23.2 | 16.5 |
| Fiji Broadcast Corporation Limited | 14.2 | 19.8 | 17.5 | 20.9 | 20.1 |
| National Bank of Fiji | 2.5 | 2.5 | 2.4 | 1.6 | 1.6 |
| Pacific Fishing Company Limited | 5.4 | 5.4 | 1.5 | 2.8 | 3.3 |
| Public Rental Board | 1.9 | 0.5 | - | - | - |
| Others | 63.1 | 8.4 | 8.4 | 7.6 | 7.6 |
| Total | 1,791.0 | 1925.8 | 2,133.4 | 2191.4 | 2409.4 |
| Contingent Liabilities as % of GDP | 29.7% | 29.7% | 30.9% | 29.5 | 29.8 |

Commentary:

- ▶ Table 5 depicts total Government guarantees outstanding from 2010 to June 2014.
- ▶ As at June 2014, contingent liabilities reached \$2.4 billion which is equivalent to 29.8 percent of GDP. A number of entities have been reformed over the years to minimize financial risks to Government particularly the FNPF pension reform.



Corporate Tax

New incentives are now available

Corporate Tax

Export Income Deduction

The export income deduction increases from 40 percent to 50% in 2014. Government will confirm the extension of the expiry.

Small and Medium Enterprise (SME's) Incentives

Incentives will be extended to cover the entire agricultural sector.

Commercial Agriculture and Agro Processing Incentives

The minimum level of investment reduced from \$2,000,000 to \$250,000.

| | | |
|------------------|---|----------------------|
| \$250,000 - \$1m | - | 5 years tax holiday |
| \$1m - \$2m | - | 7 years tax holiday |
| \$2m and above | - | 13 years tax holiday |

Incentives will be extended to 31 December 2018.

ICT Incentives

The scope of ICT incentives will extend to include;

- ICT accredited training institutions
- ICT start-ups involve in the application design and software development companies.

Benefits will include:

- 150% deduction for all ICT start-up costs (no conditions such as employment requirements attached).

Disaster Relief for Farmers

200 % tax deduction for voluntary cash contributions towards the Farmers Fund Account for disaster purposes.

The minimum contribution is \$10,000.

Accelerated Depreciation

Extended to 31 December 2018 for building, plant and machinery.

11th Schedule Incentives

Expanded to include the buying and selling residential units in a hotel and integrated tourism development.

The Short Life Investment Package (SLIP) to include new apartments that will provide length of stay of not more than 6months

Resident Interest Withholding tax

Individuals earning \$16,000 and below will be exempt from interest withholding tax on any interest earned from savings

Bio Fuel Production

Incentives (10 year tax holiday) will be extended to 31 December 2018.

Tax Administration Decree

Change of chairmanship of the Tax Agents Board to the Permanent Secretary for Finance or his appointed representative.



Other Taxes, etc

Government continues to
strengthen compliance

Other Taxes, etc.

Capital Gains Tax (CGT)

Exemption on transfers for:

- Love and affection transfers
 - parents to children and vice versa
 - within siblings
 - between spouses
 - between grandchildren and grand - parents and vice versa
- Gains made from the sale of shares arising from reorganization, restructure and amalgamation of private companies for purpose of listing in the South Pacific Stock Exchange.
- Current practice of independent valuation by Solicitor General will remain and from 2015 the Solicitor General will pay the values.

Fringe Benefit Tax

All accommodation provided to hotel executive managers irrespective of location will be charged with FBT.

50% of the value of benefit for motor vehicle will be reduced to cater for business purpose and the balance of 50% will be subject to FBT.

Fringe Benefit tax payments cannot be claimed as a deduction under the Income Tax Act.

Stamp Duties

Stamp duty for agriculture mortgage and SME's

- Part 1 of the Schedule will be amended to exempt stamp duty for all mortgages relating to Agriculture, and all stamp duties for SME's.

Section 2 will be amended to insert new and existing definitions on; *Land, Lease, Money and Stamp Office*.

10% stamp duty will be charged for non-resident strata title property buyers

5% stamp duty will be charged on mortgage for non-resident strata title property buyers.

Exemptions will apply to:

- Employment contracts
- Exempt Stamp Duty on transfer of vehicle by probate or divorce.

Value Added Tax

Tourism VAT Refund scheme

Will extend to Nausori and International Airport and Lautoka wharf.

New Dwelling VAT Refunds

Section 70 of the VAT Decree will be amended to provide clarity on the incentive given for refunds of VAT on New Dwelling House. Refunds will only be allowed for the first residential property.

Zero Rate

The 2nd schedule of the VAT Decree will be amended to zero rate repeats of prescribed medicine.

Service Turnover Tax

STT will be charged on the following:

- All licensed Bars including bars located in clubs providing meals, beverages
- Services provided by Hired Vehicles with LH number plates
- Extend scope to cover takeaway meals in restaurants with gross turnover of \$1.5m
- Exemption will apply on charter flight (aircraft and helicopters) services provided for medical evacuations and also for natural disaster.

Amnesty

Grant amnesty (no penalties or tax liabilities) for the declaration of assets outside Fiji

- Applicable to Fiji residents; and
- For a period of 6 months.

Grant amnesty on all penalties payable on outstanding tax liabilities

- A committee consists of CEO and FRCA Board members will consider amnesty applications;
- Tax liability has been accepted by the taxpayer but the taxpayer has the inability to pay in lump sum;
- A tax payment program will be finalized with the taxpayers;
- Penalties will be waived;
- Will cover all income tax, VAT and Capital Gains Tax liabilities; and
- This is for 6 months.

Other Taxes, etc

CUSTOMS CHANGES

Fiscal Duty

| Policy | Description |
|--|--|
| 1. Increase duty on imported alcohol, cigarettes and tobacco | <ul style="list-style-type: none"> Increase Import duty on all imported alcohol, tobacco and cigarettes by 10% |
| 2. Increase duty on luxury items | <ul style="list-style-type: none"> Increase import duty on luxury items listed below from 0% to 32% Perfume, cosmetics, pre-shave, shaving, or after-shave preparations, Camera's and Camcorders, sunglass, binoculars, video and electronic games, watches, iPods, MP3 and MP4 players and jewellery. |
| 3. Insert New tariff items for sheet or printing and photocopying papers (A3, A4, A5) | <ul style="list-style-type: none"> Introduce an import duty (32%), excise (Free) and VAT (15%) by creating new tariff items for printing and photocopying paper under the tariff items 4802.62.10 and 4810.14.20, 4810.22.20, 4810.29.20. |
| 4. Insert New tariff item for LED lights | <ul style="list-style-type: none"> Introduce import duty (0%), Excise (Free), VAT (15%) by creating new tariff item under the tariff item 9405.40.20. |
| 5. Increase duty on exercise books | <ul style="list-style-type: none"> Special rate on \$1 or 32% whichever is greater will be applied on exercise books. |
| 6. Increase duty on imported unrecorded/blank optical media | <ul style="list-style-type: none"> Increase fiscal duty on imported unrecorded/blank optical media from \$2 to \$5. |
| 7. Insert Hybrid vehicles under Concession Code 129 | <ul style="list-style-type: none"> Concession code 129 will be extended to include Hybrid vehicles. |
| 8. Ensure that only 1 vehicle per family is granted concessions on importation by returning Fiji residents | <ul style="list-style-type: none"> Concession Code 220 will allow only 1 used motor vehicle per family. Normal duty will be imposed on importation of additional vehicles. |
| 9. Extend Concession Code 223 to cover other teaching related goods | <ul style="list-style-type: none"> Concession Code 223 amended in Column 3 to also include computers for computer labs, multimedia equipment or other teaching related goods as goods eligible for Universities or other educational institution as goods eligible for duty concession. |
| 10. Align the definition of Capital Goods in the Eleventh Schedule | <ul style="list-style-type: none"> Concession Code 244 amended in Column 3 by referring to capital goods as defined in the Eleventh Schedule of the Income Tax Act to be eligible for duty concession. The definition of "capital goods" is capital equipment, plant machineries and other goods employed in the production of other goods by does not include furniture or motor vehicles, kitchenware, raw materials, furniture and fittings. |

Other Taxes, etc

| Policy | Description |
|---|--|
| 11. Add planting media under Concession Code 255 | <ul style="list-style-type: none"> Concession Code 255 amended in Column 3 by adding planting media used for floriculture. |
| 12. Extended Concession Code 261 to also cover ICT accredited training institutions and ICT start-ups involved in the application design and software development | <ul style="list-style-type: none"> Concession Code 261 amended in - <ul style="list-style-type: none"> (a) Column 1 by adding ICT accredited training institutions and ICT start-ups involved in the application design and software development companies shall be entitled to these concessions. (b) Column 3 by adding any other goods imported for the purpose of ICT will be granted concession. |
| 13. Extend Concession Code 264 to other electric hybrid and solar powered items | <ul style="list-style-type: none"> Concession Code 264 (Column 3) is amended by adding hybrid solar electrical powered items, solar and electrical charging station and energy storage system that are imported by companies involved in renewable energy to be allowed duty concession. |
| 14. Create new Concessions Code 275, 276 and 277 | <ul style="list-style-type: none"> Include the current section 10 approval as new concession codes - <ul style="list-style-type: none"> (a) Concession Code 275 for companies involved in manufacturing noodles who import taste maker; (b) Concession Code 276 for companies involved in canning or pouched packaging of fish; (c) Concession Code 277 for companies involved in filming who import filming equipment. |
| 15. Create new Concession Code 278 to accommodate for semi-finished goods, products imported in bulk for packaging and other goods for assembly | <ul style="list-style-type: none"> Concession Code 278 will apply to companies/entities involved in the importation of semi-finished products, products imported in bulk for packaging and other goods for assembly and packaging materials on the condition that it is bonded and 100% exported. Plant and machinery used for this purpose will attract the duty rates and Free Fiscal, Free Imported Excise and 15% VAT. |
| 16. Extension of Concession Code 265 | <ul style="list-style-type: none"> Code 265 will be extended to include all drilling machines and equipment for bore hold and water projects. |
| 17. Extension of Concession Code 113 | <ul style="list-style-type: none"> Code 113 will be extended to include any other item approved by the comptroller. |

Other Taxes, etc

Excise Duty Changes

| Policy | Description |
|---|--|
| 1. Increase excise rate on tobacco and alcohol | <ul style="list-style-type: none"> Increase excise duty on tobacco and alcohol by 10%. |
| 2. Remove excise duty on locally produced optical media | <ul style="list-style-type: none"> Remove Excise rate of \$1 on locally manufactured optical media. |
| 3. Impose excise tax on all sweetened drinks | <ul style="list-style-type: none"> Impose excise duty on sweetened drinks at a rate of 5 cents per litre. |

Excise Rates

| Description | 2014 Rates | 2015 Rates |
|--|---------------|---------------|
| 1. Ale, beer, stout and other fermented liquors of an alcohol strength of 3% or less | \$1.73/litre | \$1.90/litre |
| 2. Ale, beer, stout and other fermented liquors of an alcoholic strength of 3% or more | \$2.02/litre | \$2.22/litre |
| 3. Potable Spirit Not Exceeding 57.12 GL | \$38.07/litre | \$41.88/litre |
| 4. Potable Spirit Exceeding 57.12 GL | \$66.66/litre | \$73.33/litre |
| 5. Wine: Still | \$2.68/litre | \$2.95/litre |
| Sparkling | \$3.06/litre | \$3.37/litre |
| 6. Other fermented beverages: Still | \$2.68/litre | \$2.95/litre |
| Sparkling | \$3.06/litre | \$3.37/litre |
| 7. Reddy to Drink Mixtures of any Alcohol and non-alcoholic beverages of an alcoholic strength by volume of 11.49% or less | \$1.24/litre | \$1.36/litre |
| 8. Cigarettes from local tobacco per 10 sticks | 116.99 cents | 128.69 cents |
| 9. Cigarettes from imported tobacco per 10 sticks | 175.48 cents | 193.03 cents |
| 10. Manufactured tobacco containing tobacco grown outside Fiji | \$101.11/kg | \$111.22/kg |
| 11. Manufactured tobacco containing tobacco grown in Fiji | \$59.40/kg | \$63.54/kg |
| 12. Manufactured tobacco containing tobacco grown outside Fiji and tobacco grown in Fiji: | | |
| Tobacco grown outside Fiji | \$101.11/kg | \$111.22/kg |
| Tobacco grown in Fiji | \$59.04/kg | \$63.54/kg |

Other Taxes, etc

Customs Legislative Changes

| Policy | Description |
|--|---|
| 1. Insert a new Definition for "Process" | <ul style="list-style-type: none"> • Insert a new definition for Process, which will also take into account substantial transformation. • This is to bring more clarity on this term, as there is no definition of process in the existing Customs Act. |
| 2. Recovery of Penalty | <ul style="list-style-type: none"> • Amend Section 95 of the Customs Act to allow recovery of penalties. |
| 3. Insert Administrative Summons in the Customs Laws | <ul style="list-style-type: none"> • A new section 95E is inserted to introduce Administrative Summons which is an essential tool for recovery purposes. • This would go hand in hand with the Garnishee provisions introduced in the 2012 Budget announcement. |
| 4. Enhance Recovery of short payment of duties | <ul style="list-style-type: none"> • Amend Section 101A of the Customs Act to reinforce the provision to allow for recovery of short paid duty for the past 5 years after an audit. |

Customs Prohibited Import and Export Regulation

| Policy | Description |
|--|---|
| 1. No license required for importation of mechanical harvesters. | <ul style="list-style-type: none"> • Delete Item 9, Colum 3 of Schedule 2. |
| 2. Align currency allowable to travellers to the Exchange Control Guidelines | <ul style="list-style-type: none"> • Ensure the Fiji passport holders are allowed to carry currency in accordance to the Exchange Control Guidelines issued by Reserve Bank of Fiji. |



Exchange Control

Exchange control policies further relaxed

Exchange Control

The following highlights the exchange control policy to be effective from 1 January 2015.

| Payments | Current Delegated Limit to Authorized Dealers | Delegated Limit to Authorized Dealers WEF 1 January 2015 |
|--|--|--|
| 1. Merchant Goods | F\$100,000 per invoice | F\$200,000 per invoice |
| 2. Medical allowance paid directly to and Individual | Up to \$10,000 per patient per annum | F\$50,000 per patient per annum |
| 3. Education funds paid directly to students | Up to \$10,000 per student per annum | F\$20,000 per student per annum |
| 4. Forward Foreign Exchange Cover | \$40 million per bank to write sales contracts in excess of purchase contracts | \$50 million per bank to write sales contracts in excess of purchase contracts |

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