

Fiji Budget 2023/24

30 June 2023

Highlights of the budget

The Honourable Deputy Prime Minister and Minister for Finance, Strategic Planning, National Development & Statistics, Professor Biman C Prasad presented the 2023/24 Budget on Friday, 30 June 2023

This budget newsletter sets out highlights of the budget measures

Budget deficit of \$639.1 million

(or -4.8% of GDP) for 2023/24

Total exports up by 25.7% in 2022, forecast growth of **4.8% in 2023** and **4.9% in 2024**

Debt to GDP forecasts of **81.2%** for **2023** and to fall to **79.3%** in **2024**

VAT rate increased to **15%**. **Prescribed medicines** added to **Zero-rated** items

TELS debt of **\$650** million to be **written off**

Remittances growth of 23.1% in 2022, and forecast of **16.3%** in **2023**

Revised **growth** forecasts of **3.8% in 2024**

and 8.0% in 2023 following growth of 18.6% in 2022 and decline of 5.1% in 2021. Forecast for 2025 is 3.0%

Inflation of 3.1% in 2022, and forecasts of **2.8% in 2023** and **2.3% in 2024**

Increase in corporate tax rate to **25%**

FNPF increases to **10%** employer and **8%** employee from 1 January 2024

Increased targeted **social protection support**

Foreign reserves of **\$3.4 billion**, equivalent to **6.1 months** of retained imports

Economic Outlook Statistical Analysis

	2023/24 Budget \$M	2022/23 Revised \$M	2021/22 Actual \$M	2020/21 Actual \$M	2019/20 Actual \$M
Direct taxes	816.4	646.6	464.6	466.2	610.5
Indirect taxes - VAT	1,422.2	947.6	630.6	415.2	596.1
Indirect taxes - Customs	556.0	467.3	442.0	399.8	528.9
Indirect taxes - Service Turnover Tax	-	0.1	0.1	1.1	62.5
Indirect taxes - Water Resource Tax	91.6	73.3	83.6	72.0	56.2
Indirect taxes - Departure Tax	99.8	61.4	16.4	0.9	113.8
Stamp duties	-	0.1	0.5	7.9	66.3
Environment and Climate Adaptation levy	9.8	8.7	23.9	20.8	126.9
Other levies	0.9	0.9	0.8	0.8	0.9
Fees, fines, charges & penalties	166.6	158.9	148.7	123.7	141.7
Other income	419.8	270.7	342.8	388.0	162.6
Total operating receipts	3,583.2	2,635.4	2,153.9	1,896.3	2,466.5
Total operating payments	(3,036.9)	(2,424.9)	(2,261.5)	(2,189.0)	(2,333.8)
Net operating surplus	546.3	210.5	(107.6)	(292.6)	132.7
Investment receipts	6.7	3.5	7.4	218.7	218.5
Investment payments	(1,192.1)	(964.4)	(1,123.0)	(973.3)	(988.2)
Net (deficit)	(639.1)	(750.3)	(1,223.3)	(1,047.3)	(637.0)
Percent of GDP	-4.8%	-6.2%	-11.9%	-11.1%	-5.9%

Other Key Economic Outlook Indicators

	2024 Forecast	2023 Forecast	2022 Provisional	2021 Provisional	2020 Provisional
Economic growth in percent	3.8	8.0	18.6	(5.1)	(17.0)
Inflation rate in percent	2.3	2.8	3.1	3.0	(2.8)
Visitor arrivals in pax	921,221	894,389	636,312	31,618	146,905
Sugar export in tonnes	136,700	125,800	123,900	83,800	142,500
Gold exports in FJD millions	110.9	72.2	101.4	132.5	134.2
Fish exports in FJD millions	85.2	81.8	77.9	55.4	70.1
Mineral water exports in FJD millions	407.2	387.8	361.8	312.9	223.2

General commentary

- It is anticipated that Fiji's strong post-pandemic recovery will be elevated with further impetus from the 2023-2024 National Budget, with the theme "**Rebuilding our Future Together**". Areas of focus for the budget include macroeconomic stability and fiscal sustainability, rebuilding infrastructure and improving public service delivery, social protection, education, and health, and supporting key economic sectors.
- Government is also conscious that recovery efforts can potentially be affected by the current global economic slowdown, as being experienced by Fiji's major tourism source markets including their increased probability of recession. It therefore endeavours to recalibrate its policy actions to accelerate post-pandemic recovery and initiate policy measures in responding to the global and domestic landscape.
- Government plans to reform the current tax system to simplify the tax regime to encourage tax compliance and streamline tax incentives to promote investment in key priority sectors. Tax policies have been geared towards restoring revenues to pre-pandemic levels without introducing any new taxes but restructuring existing ones (e.g. VAT and corporate tax).
- Emphasis has also been placed on providing increased support for the vulnerable and disadvantaged, with increases to and extension of social protection programmes, family assistance schemes, disability allowances and empowerment of community leaders. Significant budgetary allocations have been made to the Ministries of Health, Education and the Water Authority of Fiji to improve services to the people.

Budget principles



The road ahead will not be easy, but we are hopeful that what we have laid down in this budget today will be a strong foundation for future recovery, growth and prosperity.

- Hon. Professor Biman Prasad

Deputy Prime Minister and Minister for Finance

2023/24 Fiscal policy principles

The government has stated that fiscal policy going forward will be geared towards reducing the deficit level with the aim of putting the debt to GDP ratio on a downward path and further enhancing long term debt sustainability.

The revenue, expenditure and debt policies in the 2023/24 Budget are guided by the following principles:

Revenue policy

- Government's revenue strategy for the medium-term will focus on a holistic review of the tax administration system including streamlining taxes and re-evaluating tax and duty exemptions and incentives
- VAT rates will be reduced to two rates of 0 percent and 15 percent, with the potential to increase tax revenues in the medium-term by aligning the VAT rate to a single rate to bring more simplicity to the tax regime. However, the timing of this will be carefully considered including adequate targeted expenditure support to protect the vulnerable
- there is also opportunity for reintroduction of a dividend tax regime or alternatively increase in the corporate tax rate further based on the revenue needs of the Government. Apart from this, there is scope to further increase the departure tax in the future given that tourism specific taxes like STT and ECAL have been completely abolished

- further improvements will be made to tax exemptions to streamline processes and reduce tax expenditure. Non-tax revenues for certain public services will also be reviewed based on the principle of cost-recovery to boost overall revenue
- the following will be the guiding policy principles in the medium term:
 - widen the tax base by gradually removing exemptions and other distortions
 - improve tax compliance and collection of tax arrears
 - make the tax regime and tax administration even simpler to encourage tax compliance
 - review non-tax revenues on a cost recovery basis while also ensuring that the vulnerable and disadvantaged are protected
- the underlying revenue policy framework focuses on macro-fiscal stabilisation measures that will put Government debt to GDP ratio on a sustainable and downward path and increase revenue to GDP ratio to pre-pandemic levels. Based on the tax policies and economic growth projections, the medium-term revenue forecasts are expected to normalise to around 27 percent of GDP

Expenditure policy

- Government has stated that it will focus on zero-based budgeting in the medium-term, to improve the effectiveness and quality of public services. This will help reduce unproductive spending, review transfers to extra budgetary units, streamline operations and prioritise high impact capital projects. A capital operating mix of at least 30:70 will be targeted in the medium-term
- in the medium-term, expenditure allocations will be guided by the following:
 - undertake a holistic review to right-size the civil service and contain the public sector wage bill

- tighten control on operational expenditure, including travel, communications, training, workshops, fuel and maintenance, and purchase of supplies, with KPIs of agency heads and Permanent Secretaries linked to these targets
- conduct proper investment appraisal and project selection for all new capital projects as per the Public Sector Investment Program and National Infrastructure Investment Plan
- resources must be allocated based on a multi-year perspective and the implementation capacity of agencies, considering the need to meet competing expenditure demands
- major existing programmes to be reviewed and Government should ensure that all financial resources allocated are used prudently to derive value for money
- encourage more private sector participation in public infrastructure projects and delivery of other public services through Public-Private Partnerships (PPP) and other innovative arrangements
- proper and effective monitoring of projects and budget utilisation through the Ministry of Finance
- funding for ongoing programmes to be based on assessment of current and past performance and progressive achievement of planned outputs

Debt policy

- the broad objectives of Government debt strategy in the medium-term will remain as follows:
 - minimise the medium to long-term cost of Government debt within prudent levels of risk
 - support the development of a well-functioning domestic market for debt securities

- to achieve the above objectives, Government will focus on the following debt management policies to guide its borrowing in FY2023-2024 and onwards:
 - lower the cost of debt through concessional financing from bilateral and multilateral lenders
 - change the maturity profile through a gradual reduction in Treasury Bills and issuances of short and medium-term bonds (2-year to 5-year tenor)
 - continue issuance of long-term bonds (10-year to 20-year tenor) to finance deficits
 - develop the domestic bond market to focus more on transparency, secondary market trading, settlement mechanisms and investor diversification
 - consider call-backs, bond buybacks and switch operations
 - minimise risks associated with on-lending and contingent liabilities
- amendment to extend the Capital Gains Tax (CGT) exemption on the disposal of the first residential property to include ownership with siblings, parents, children, grandchildren and grandparents (currently limited to sole ownership or co-ownership with spouse including a de-facto relationship)
- repeal of the CGT exemption on gains made on the disposal of shares if the shares were held before 1 May 2011, effective from 1 July 2023. All applications still under consideration as at 1 July 2023 will be treated in accordance with the new law
- repeal of the Warehouse Incentive Package effective from 1 July 2023. Any applications received before 1 July 2023 will be accepted
- amendment to the Information Communications Technology (ICT) Incentive Regulations with new definitions of the ICT business with qualifying conditions such as minimum investment levels and minimum number of employees, effective from 1 July 2023
 - the restructured ICT incentive will specifically cater for 'Business Process Outsourcing (BPO)', 'Knowledge Process Outsourcing', 'Information Technology Outsourcing' and 'Shared Services/Global Business Services'. Companies are required to register with the BPO Council of Fiji (known as Outsource Fiji)
 - investment between \$100,000 to \$250,000 and minimum 25 employees - 5 year tax holiday
 - investment between \$250,001 to \$500,000 and minimum 50 employees - 7 year tax holiday
 - investment between \$500,001 to \$1,000,000 and minimum 75 employees - 10 year tax holiday
 - investment greater than \$1,000,000 and minimum 100 employees - 13 year tax holiday
- amendments to the Resident Interest Withholding Tax (RIWT) provisions, effective from 1 January 2024
 - repeal of the RIWT exemption on interest income less than \$1,000
 - the RIWT exemption available to senior citizens, pensioners or individuals with gross income of \$30,000 to be maintained
- amendments to the Employment Taxation Scheme (ETS)
 - repeal of the 300 percent tax deduction available for wages and salaries paid for hiring first-time employees
 - the remaining ETS incentives (work placements, apprenticeship, hiring of part-time workers and hiring of persons with disabilities) to be maintained
- repeal of the 100 percent deduction on the payment of tuition and living expenses paid for students at a higher education institution
- to promote transparency in Government's revenue and expenditure reporting, the film rebates will now be issued as part of Government's expenditure initiatives and not through tax refunds
- repeal of Section 10(8) of the Income Tax Act to discourage treaty shopping in respect of Non-Resident Withholding Tax
- amendment to the definition of the Short Life Investment Package (SLIP) under the Hotel Incentives Regulations to limit qualification for SLIP to newly incorporated entities
- repeal of the requirement for employers to file a manual copy of the withholding certificate with the CEO under Regulation 18(2) of the Income Tax Withholding Regulations
- repeal of paragraph 14 of Part 9 which provides exemption to the income of ICT start-ups involved in application design or software development for a period of 13 years. This incentive is redundant following the various changes to ICT incentives in the last few budgets

Income Tax

Measures introduced:

- introduction of exemption from income tax for 7 years for entities (existing and new businesses) involved in the extraction and bottling of water

Amendments to existing provisions:

- increase in the corporate tax rate from 20 percent to 25 percent effective from tax year 2023
- increase in the corporate tax rate from 10 percent to 15 percent for companies listed on the South Pacific Stock Exchange, effective from tax year 2023
- amendments to the Social Responsibility Tax (SRT), effective from 1 January 2024 with SRT incorporated into the Pay As You Earn (PAYE) brackets and reduction of 5 percent for PAYE income brackets above \$270,000

Tax Administration

Measures introduced:

- introduction of new provision to allow taxpayers and FRCS to seek resolution for matters under dispute through an Alternative Dispute Resolution process

Amendments to existing provisions:

- amendments to the qualifying criteria for a new tax agent's license to include the following:

- applicant must be a Chartered Accountant member of the Fiji Institute of Chartered Accountants; or

- hold membership of a similar recognized body

the new criteria will not apply to existing tax agents

- amendment to empower the Tax Agents Board to conduct verification such as additional reference checks, qualification or any other verification deemed necessary
- amendment to increase fees for Tax Agents license as follows:
 - \$436 to \$500 for new applications
 - \$218 to \$350 for renewals
 replacement of the term "prescribed fee" with "approved fee" which will allow the Tax Agents Board to set the fees
- amendment to allow FRCS to place arrival alerts at the border for returning taxpayers who have outstanding tax obligations

Value Added Tax (VAT)

Amendments to existing provisions:

- replacement of the three VAT rates with a simplified two VAT rate regime, effective from 1 August 2023
 - increase in the 9 percent rate to 15 percent
 - zero percent to be maintained
 - addition of prescribed medicine to the list of 21 zero-rated items

- the planned further implementation of the VAT Monitoring System will be paused whilst the entire system is reviewed

Departure Tax

Amendment to existing provisions:

- increase in departure tax to
 - \$125 from 1 August 2023
 - \$140 from 1 January 2024

Water Resource Tax

Amendment to existing provisions:

- increase in the water resource tax rate for extraction above 10 million liters per month from 18 cents per liter to 19.5 cents per liter

Customs

Measures introduced:

- Advance Notification of Cargo Information
 - new provision for the advance notification of cargo information
 - provision to provide for the requirement of cargo reporters to produce the advance cargo information on cargoes prior to the ship or aircraft arriving in Fiji
 - new definition of "cargo reporter" to be incorporated in the Customs Act as: "cargo reporter" in relation to a ship or aircraft and in relation to a particular voyage or flight means the operator of the ship or the aircraft; a shipping agent in respect of the ship; or a freight forwarder in respect of the ship or aircraft; for the voyage or flight

Amendments to existing provisions:

- goods warehousing period to revert to pre-COVID practice
 - warehousing period for items under Chapter 84 (machinery & mechanical appliances) and Chapter 87 (motor vehicles) will only be for 1 year with no extensions

- other goods can be warehoused for 1 year with an extension of 6 months

- removal of the policy on import VAT deferral for 60 days available to Gold Card taxpayers
- post-modification fee of \$15 to be imposed on all post-customs post entry modifications
- amendment to enable FRCS to access electronic data under the "Power of Search" provisions
- amendment to allow the court to remit matters to the Comptroller
- amendment to allow FRCS to recover disputed duty despite the matter being before the court

Customs Tariff

Fuel rebate

- 10 cents per liter fuel rebate to be provided to bus companies operating in Vanua Levu and Taveuni
- existing 2 cents per liter to be maintained for all other regions

Import excise increases

- 5 percent on new and used passenger motor vehicles
- 15 percent on sweet biscuits, imported fruit juice, ice-cream, snacks obtained by roasting, frying, baking, swelling, etc and sugar confectioneries, effective 1 January 2024
- 5 percent on alcohol and tobacco
- from 35 cents per liter to 40 cents per liter on carbonated or sugar-sweetened beverages

Fiscal duty increases

- 3 percent to be imposed on all goods imported under concession codes 231, 231A, 231B, 235, 235A, 236, 236A, 236B

Import excise decreases

- from 10 percent to 0 percent on chicken portions

Fiscal duty decreases

- from 5 percent to 0 percent on sheep/lamb meat

- from 32 percent to 15 percent on beef, prawns, ducks, corned meat of lamb/sheep, corned meat of beef and canned mackerel
- from 15 percent to 5 percent on canned tomatoes

Removal of concession codes

- concession codes 137, 138, 140, 117, 272 and 302

Tariff alignment and classifications

- introduction of new category to record the importation of non-alcoholic wine
- amendment to remove the “cc” ratings from electronic vehicle categories
- amendment of subheading 0306 for HS codes 0306.11.00 to 0306.19.00 from “live, fresh or chilled” to “frozen”
- alignment of sugar classification rates to capture sugar imports above 99.5 degrees at 32 percent fiscal duty

Excise

Measures introduced

- introduction of 40 cents per kg/liter domestic excise on sweet biscuits, ice-cream, snacks obtained by roasting, frying, baking, swelling, etc and sugar confectioneries, effective 1 January 2024

Domestic excise increases

- 5 percent on alcohol and tobacco
- from 35 cents per liter to 40 cents per liter on carbonated or sugar-sweetened beverages

Other provisions

- fees for certificates under the Excise Act to be increased to \$50
- the currently authorised instrument for measuring alcohol strength “Gay Lussac Hydrometer” to be extended to include other “approved apparatus”

Expenditure

Major expenditure measures and budgetary allocations include:

- Health - \$453.7 million
- Upgrade of Labasa Hospital - \$5.0 million
- Kidney dialysis treatment subsidy - \$2.5 million
- Upgrade and maintenance of hospitals - \$2.0 million
- WAF - \$250.8 million
- Water programme - \$53.8 million
- Wastewater programme - \$6.4 million
- Ministry of Education - \$505.4 million
- Higher education institutions - \$103.4 million
- Scholarships, loans and grants - \$148.2 million
- Ministry of Women, Children and Social Protection - \$200.2 million
- FRA - \$387.6 million of which \$372.9 million relates to capital works
- Maintenance of roads - \$100.6 million
- LTA - \$28.4 million
- EFL - \$14.1 million
- RFMF - \$103.1 million
- Fiji Police - \$183.7 million
- MSAF - \$10.5 million
- Public Works Department - \$5.0 million
- Fiji Meteorological Services - \$9.3 million
- Investment Fiji - \$2.7 million
- Ease of doing business initiative - \$9.0 million
- First Home Grant - \$6.5 million
- Youth and Sports - \$19.5 million
- Foreign Missions - \$6.2 million
- Digitisation and modernisation of Fiji Immigration Systems and Processes - \$1.2 million

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