

Fiji Budget 2024/25

28 June 2024

Highlights of the budget

The Honourable Deputy Prime Minister and Minister for Finance, Strategic Planning, National Development & Statistics, Professor Biman C Prasad presented the 2024/25 Budget on Friday, 28 June 2024

This budget newsletter sets out highlights of the budget measures

Budget deficit of \$635.5 million

(or -4.5% of GDP) for 2024/25

Total exports up by 3.5% in 2023, forecast growth of **5.5% in 2024** and **7.4% in 2025**

Debt to GDP forecasts of **78.0% for 2024** and to fall to **77.8% in 2025**

VAT monitoring system to be **reactivated** from 1 August 2024 for **Phases 1 and 2**

VAT evasion penalty of **200 percent** introduced

Remittances increased by 21.3% in 2023, and forecast growth of **10.1% in 2024**

Revised **growth** forecasts of **3.0% in 2025** and 2.8% in 2024 following growth of 8.0% in 2023 and 20.0% in 2022. Forecast for 2026 is 3.0%

Inflation of 5.1% in 2023, and forecasts of **3.1% in 2024** and **2.5% in 2025**

Increase in **FBT** on **motor vehicles**

Pay rise for **civil servants**

Increase in **minimum wage** in 2 tranches to **\$5** per hour by 1 April 2025 and adjustments to sectoral wage rates

Foreign reserves of **\$3.3 billion**, equivalent to **5.3 months** of imports

Economic Outlook Statistical Analysis

	2024/25 Budget \$M	2023/24 Revised \$M	2022/23 Actual \$M	2021/22 Actual \$M	2020/21 Actual \$M
Direct taxes	1,029.7	977.1	659.4	464.6	466.2
Indirect taxes - VAT	1,346.2	1,251.1	968.8	630.6	415.2
Indirect taxes - Customs	569.6	553.4	471.7	442.0	399.8
Indirect taxes - Service Turnover Tax	-	0.2	0.1	0.1	1.1
Indirect taxes - Water Resource Tax	81.2	71.8	74.7	83.6	72.0
Indirect taxes - Departure Tax	144.2	88.4	61.7	16.4	0.9
Stamp duties	-	0.1	0.2	0.5	7.9
Environment and Climate Adaptation levy	10.2	9.9	8.3	23.9	20.8
Other levies	0.8	0.8	0.8	0.8	0.8
Fees, fines, charges & penalties	169.4	164.0	161.7	148.7	123.7
Other income	441.2	367.5	300.2	342.8	388.0
Total operating receipts	3,792.6	3,484.3	2,707.6	2,153.9	1,896.3
Total operating payments	(3,235.7)	(2,984.1)	(2,566.4)	(2,261.5)	(2,189.0)
Net operating surplus	556.9	500.3	141.2	(107.6)	(292.6)
Investment receipts	7.0	10.1	3.0	7.4	218.7
Investment payments	(1,199.4)	(1,039.0)	(983.7)	(1,123.0)	(973.3)
Net (deficit)	(635.5)	(528.6)	(839.4)	(1,223.3)	(1,047.3)
Percent of GDP	-4.5%	-4.0%	-7.1%	-11.9%	-11.1%

Other Key Economic Outlook Indicators

	2025 Forecast	2024 Forecast	2023 Provisional	2022 Revised	2021 Actual
Economic growth in percent	3.0	2.8	8.0 ^e	20.0 ^p	(4.9) ^f
Debt to GDP in percent	77.8	78.0	82.0 ^a	90.6 ^a	84.2
Inflation rate in percent	2.5	3.1	5.1 ^a	3.1 ^a	3.0
Visitor arrivals in pax	986,361	957,632	929,740	636,312 ^a	31,618
Sugar export in tonnes	117,800	116,400	116,100	127,700 ^p	84,200
Gold exports in FJD millions	201.8	134.6	97.8	101.4	132.4
Fish exports in FJD millions	82.0	70.6	60.6	77.9	55.4
Mineral water exports in FJD millions	385.2	335.9	356.4	361.8	312.9

General commentary

- With the theme “**An Economically Stable, Secure and Sustainable Fiji**”, the 2024-2025 National Budget seeks to strike a balance between the reduction of the country’s deficit and debt, against the need to support the economy and fix public infrastructure. The focus is on macroeconomic stability and fiscal sustainability, while seeking to ensure that adequate funding is channelled towards key focus areas such as infrastructure, public service delivery, social welfare, education, health and key economic sectors.
- The Fijian economy has recovered strongly from the pandemic induced downturn, with GDP surpassing pre-pandemic levels in 2023. This was largely driven by a robust recovery in the tourism sector with visitor arrivals exceeding expectations in 2023 and increased daily tourist expenditure. Tourism demand remains buoyant and continued sectoral growth is expected in 2024.
- The 2024 growth rate has been revised down slightly to 2.8 percent. This is largely attributed to under-performing resource-based sectors (except mining) and a slowdown in domestic consumption spending as a result of a decline in population led by Fijians leaving our shores. Nonetheless, going forward, growth is expected to return to the pre-pandemic trend of around 3 percent in the medium term.

Budget principles



... Mr. Speaker Sir, we come to the theme of the Budget. The words “security, stability and sustainability” are what we have chosen. These words are not glamorous, action-packed or exciting. But they define what is needed right now.

- Hon. Professor Biman Prasad

Deputy Prime Minister and Minister for Finance

2024/25 Fiscal policy principles

The overarching objective of Government’s fiscal policy is to safeguard macroeconomic stability by promoting sustainable and resilient growth, addressing socio-economic challenges, nurturing inclusive development and building economic and fiscal safeguards to respond to future shocks. Government is also placing a strong emphasis on Gender Responsive Budgeting, aiming to address gender disparities, foster inclusivity, and promote sustainable development, ensuring that budget decisions positively impact all genders, fostering a more equitable and resilient society

Revenue policy

Government revenue is now projected to increase to around 27 percent of GDP in the medium term, similar to pre-COVID levels. Since significant changes to taxes have been implemented, there is little opportunity for subsequent changes in tax rates in the near to medium-term. Therefore the focus will shift to improving compliance through education and self-regulation, streamlining and re-evaluating some tax exemptions and incentives and introducing strategies to counter deliberate tax evasion and avoidance

The guiding policy principles in the medium term are as follows:

- widen the tax base by gradually removing exemptions and other distortions and bringing provisions in place to collect revenues from e-commerce transactions
- improve tax compliance and collection of tax arrears
- make the tax regime and tax administration even simpler, to encourage tax compliance

- review the VAT regime to move towards a single rate when the time is appropriate, including expenditure strategies to support the vulnerable
- review the Export Income Deduction incentive with a view to remove Fiji from the EU blacklist
- review non-tax revenues on a cost recovery basis while also ensuring that the vulnerable and disadvantaged are protected

Expenditure policy

Government’s expenditure policy aims to maintain a level of spending that can be financed at a reasonable cost, considering prevailing economic conditions and anticipated revenue. In the medium term, operating expenditures must be capped, service delivery to be improved through increasing efficiency, reviewing/reducing transfers to extra budgetary units, streamlining operations and at the same time prioritizing high impact capital projects. In view of this, total expenditure in the medium-term should be reduced to below 30 percent of GDP with an operating to capital mix of at least 70:30

Government’s expenditure plans will be guided by the following strategies:

- increase the efficiency of public expenditure to control the growth of expenses at sustainable levels
- 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, workshop, fuel & maintenance and purchase of supplies with KPIs of agency heads and Permanent Secretaries linked to these targets
- restructure the social protection framework to prioritize the most vulnerable segments of society, and reforming existing subsidy mechanisms
- conduct proper investment appraisal and project selection for all new capital projects and strictly adhering to Public Sector Investment Programme guidelines
- 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 real value for money
- all new initiatives to be rolled out in phases to manage costs and pilot testing should be done for the rollout of major initiatives
- encourage more private sector participation in public infrastructure projects and delivery of other public services through 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:

- continue to lower the cost of debt through concessional financing from development partners
- change the maturity profile through a gradual reduction in Treasury Bills and issuances of short and medium-term bonds (2-year to 5-year tenure)
- continue the issuance of long-term bonds (10-year to 20-year tenure) and introduce new maturity terms (above 20-year) to finance deficits
- develop the domestic bond market to focus more on transparency, secondary market trading, settlement mechanisms and investor diversification
- undertake liability management operations such as call-backs, bond buybacks and switch operations
- consider the embedded options available for external loans
- undertake thorough analysis and assessment of Government agencies with lending and on lending arrangement and guarantees to minimise risks

Income Tax

Measures introduced:

- introduction of a new incentive with tax holidays and import duty concessions for companies setting up a specialised drug rehabilitation centre. The tax holidays are as follows:
 - 5 years where capital investment from \$250,000 to \$1,000,000
 - 7 years where capital investment from \$1,000,001 to \$2,000,000
 - 13 years where capital investment above \$2,000,000
- introduction of a 200 percent deduction for any donations made above \$10,000 to support Fiji's bid in hosting the 2031 Pacific Games
- introduction of new incentives to support the bid for a place in the National Rugby League competition:
 - a 200 percent deduction will be available for sponsorship above \$250,000 to Rugby League Bid (Fiji) Pte Ltd
 - a 13 year tax holiday and duty concession to be available to Rugby League Bid (Fiji) Pte Ltd

Amendments to existing provisions:

- amendments to the payment of advance tax to pre-pandemic rules, effective from the 2025 tax year
 - for companies, advance taxes to be payable in the sixth, ninth and twelfth months of their tax year
 - for other businesses, advance taxes to be payable in April, August and November
- amendment to the accelerated depreciation allowance on buildings to pre-pandemic rules, to be claimed at 20 percent in any 5 out of 8 years following completion
- amendment to the reorganisation provision to allow the tax loss incurred under the accelerated depreciation incentive to be transferred under the reorganisation provision, provided that the same asset qualifies for the transfer
- amendments to the depreciation rates to accommodate specialised assets such as dams and other assets specific to electricity generation
- repeal of the pandemic provision which allowed for the offset of business losses of up to \$20,000 against employment income, effective from the 2024 tax year.
- amendment to the Fringe Benefits Tax (FBT) value for motor vehicles, effective from 1 January 2025. The new rates, per annum, are summarised below:
 - \$8,000 where engine capacity less than 1,800cc
 - \$12,000 where engine capacity from 1,800cc to 2,000cc
 - \$16,000 where engine capacity greater than 2,000cc
 - \$20,000 plus 16 percent of the excess of the cost above \$100,000 where the cost of the vehicle exceeds \$100,000, irrespective of the engine capacity
- amendment to extend the FBT value to electric vehicles, effective from 1 January 2025. The new rates, per annum, are summarised below:
 - \$8,000 where vehicle cost less than \$20,000
 - \$12,000 where vehicle cost is between \$20,000 - \$40,000
 - \$16,000 where vehicle cost is between \$40,001 - \$60,000
 - \$20,000 plus 16 percent of the excess of the vehicle cost above \$60,000
- amendment to include 'property income' of non-profit organisations as subject to income tax together with 'business income'
- amendment to incentive applications to clarify that the requirement to obtain a provisional approval must be obtained prior to the commencement of the construction of the project
- amendment to the Tax-Free Region (TFR) Regulations to enhance the definition of "project". The new definition will ensure that a TFR license can only be granted to a new entity based at a single location in the TFR
- amendment to the TFR incentive to allow existing i-Taukei companies to qualify for the TFR incentive for new investment above \$250,000

- amendment to the TFR incentive to declare as a TFR the new Pacific Koro Business Park development in Kalabu, Valelevu
- amendment to the Information Communication Technology (ICT) Incentive Regulations
 - to include the requirement of obtaining a provisional approval and a final approval
 - the qualifying criteria will be amended to comply with the European Union taxation standards
- repeal of the 50 percent deduction for deposits made to a pandemic reserve account following the World Health Organisation declaring an end to the pandemic
- amendment to the investment allowance under the hotel incentives to pre-pandemic rate of 25 percent (was increased to 50 percent during the pandemic)
- amendment to the Short Life Investment Package incentive to extend the 20 year tax holiday to companies who acquire existing hotels and resorts and undertake extension and refurbishments over \$50 million (currently available to new hotels)
- amendment to the Exempt Income Tax Regulations to prevent double taxation for Fiji citizens employed by the Fiji Government working in countries that do not have double tax agreements with Fiji
- amendments to the employment taxation scheme provisions:
 - the 300 percent deduction available for wages or salaries paid for work placements, apprenticeship and part-time workers to be extended to 31 December 2025
 - the 400 percent deduction available for wages or salaries paid to persons with disability to be extended to 31 December 2025
- extension of the sub-division of land incentive for another 12 months to 31 July 2025
- extension of the export income deduction incentive to the 2025 tax year

Tax Administration

Measures introduced:

- introduction of a 200 percent VAT evasion penalty (previously a 300 percent VAT evasion penalty applied but was removed during the pandemic)

Amendments to existing provisions:

- amendment to the forfeited refunds provision to allow for the offset of any new tax debt
- amendment to provide that tax refund balances with FRCS cannot be used to offset Water Resource Tax and Airport Departure Tax
- amendment to the provision for the seizure and detainment of non-perishable goods to be increased to 30 days (previously 10 days)
- amendment to allow FRCS to be able to request bulk data for risk analysis

Fiji Revenue and Customs Service

Amendment to existing provisions:

- amendment to the Information Sharing Regulation to allow sharing of information with Outsource Fiji/ BPO Council of Fiji

Value Added Tax (VAT)

Amendments to existing provisions:

- amendment to mandate the issuance of tax invoices for all transactions, irrespective of the transaction amount (previously not required for transactions below \$10)
- reactivation of the VAT Monitoring System (VMS) which was suspended following the rollout of phases 1 and 2. VMS to be implemented effective from 1 August 2024:
 - businesses included in phases 1 and 2 that have not yet been implemented will be required to be implemented
 - the industry list for the rollout of phase 3 to be reviewed and the effective date to be announced with the new industry listing at a later date
- removal of the annual VAT filing option and taxpayers to be transitioned to quarterly or monthly filing options, effective from 1 January 2025

Departure Tax

Amendments to existing provisions:

- increase in departure tax to
 - \$170 from 1 August 2024
 - \$200 from 1 August 2025
- reduction from 96 hours to 48 hours exemption period on transits from 1 August 2024

Water Resource Tax

Amendment to existing provisions:

- increase in the water resource tax rate for extraction below 10 million liters per month from 1 cent per liter to 5 cents per liter

Customs

Measures introduced:

- penalty provision of \$115 applicable if the Single Administrative Documents (SADs) for goods delivered under special circumstances are not filed within 48 hours
- penalty provision of \$115 per application imposed for the late submission of an airway bill or bill of lading
- penalty provision of 5 percent applicable for petroleum companies who fail to make payments by the specified dates under the regulations
- overtime fee of \$1,725 introduced for the inspection of private and unscheduled flights

Amendments to existing provisions:

- increase of customs objection decision timelines from 20 working days to 90 consecutive days with an additional 90 consecutive days subject to the submission of additional information
- removal of time to pay arrangements for the payment of duty for yacht imports above \$2 million
- removal of 3 percent export duty on sugar
- removal of the requirement to obtain a permit for the export of sugar
- amendment to the following definitions in the Act:
 - Manufacturer* – A manufacturer is a person or company that produces finished goods from raw materials by using various tools, equipment, and processes, that transform materials into new products.

- Produce* – means any tangible commodity extracted, cultivated or harvested from the land, underground, from the seas of Fiji, including from under the sea, from the seabed and beneath the seabed or other natural resources.
- Producer* – means the owner or entity that yields or causes to yield a tangible commodity through extraction, cultivation, or harvesting from the land, from the seas of Fiji, or other natural sources.
- Mixing and Blending* – The process of mixing and blending two or more local or imported products together to make the final product.

- amendment to allow the use of electronic signatures in customs documents
- amendment to overtime rates for weekends and public holidays to \$50 per hour or a portion of an hour
- amendment to overtime rates for weekdays, but outside of the working hours to \$60 per hour or a portion of an hour
- amendment to the list of goods that may be imported on conditions (Schedule 2, Item 14 (a)) to include the exemption of 8 years age criteria for the imports of used or reconditioned motor vehicles for the purpose of medical, tourism and tourism investment projects, national security and defense and mining
- amendment to the list of imported goods, that are absolutely prohibited (Schedule 1, Item 7) to extend the remaining shelf life on the importation of pasta, chips, noodles and biscuits from 3 months to 6 months

Customs Tariff

Fiscal duty increases:

- 5 percent to be levied on imports of ships, boats and floating structures under Chapter 89. 32 percent fiscal duty on other boats (HS Code 8903.99.90) manufactured locally to be maintained

Fiscal duty decreases:

- from 32 percent to 5 percent on prefabricated buildings
- removal of the 3 percent fiscal duty on raw materials, machinery, and packaging materials under concession codes 231, 231A, 231B, 236 and 236A

- exemption of hospital beds from fiscal duty and import VAT under goods imported for disabled persons

New concession codes:

- code 201C to exempt duty and import VAT on the acquisition of one motor vehicle per member of parliament within their term
- code 236C to accommodate manufacturers processing alcoholic beverages through the mixing and blending process

Changes to concession codes:

- concession code 212 on personal imports
 - reduction of threshold from \$2,000 to \$1,000 for personal imports
 - import VAT levied on all imports cleared under code 212
 - exclusion of e-cigarettes, vapes and vape refills from code 212
- amendment to concession code 236 to include the requirement of a substantial transformation process, to provide clarity
- amendment to concession code 228 to reduce from 54 months to 24 months the tourist vessel/yacht cruising period which was increased during the pandemic
- amendment to concession code 252 to include “any other relevant goods” along with the existing list of concessions available to provide additional support to the mining industry

Changes to existing provisions:

- amendment to passenger allowance:
 - extension of passenger allowance for passengers disembarking in Fiji to include electronic cigarettes, vapes and vape refills not exceeding 200ml
 - increase of liquor allowance from 2.25 liters to 3 liters
- application of crew allowance to local airline crew only who depart for international scheduled flights

Excise

Measures introduced:

- late payment penalty of \$115 applicable if excise duty is not paid within 3 working days of lodgement
- late payment penalty of 5 percent applicable on the unpaid excise duty. Further 2 percent penalty applicable for each month of default

Domestic excise increases:

- 5 percent on alcohol and tobacco

Import excise increases:

- 5 percent on alcohol and tobacco

Other provisions:

- amendment to include the storage of electronic copies of warehouse documents by the excise manufacturers
- amendment to include an additional option of monthly filing of returns and payments to be available to excise manufacturers who are involved in the manufacturing of sweet biscuits, snack food and sugar confectionaries

Expenditure

Major expenditure measures and budgetary allocations include:

- Ministry of Health and Medical services - \$451.8 million; includes CWM Hospital - \$60.8 million
- WAF - \$259.4 million
- Ministry of Education - \$627.6 million
- Ministry of Women, Children and Social Protection - \$199.5 million
- FRA - \$354.8 million of which \$338.8 million relates to capital works
- Public Works Department - \$11.0 million
- LTA - \$36.7 million
- RFMF - \$169.6 million
- Fiji Police - \$226.8 million
- MSAF - \$9.4 million
- Youth and Sports - \$23.4 million
- Reinstatement of FNPF pension - \$4.0 million
- Vatukoula strike settlement - \$9.2 million

Other measures

- increases in social protection payments
- working towards corporatisation of WAF
- increases to immigration resourcing
- education and skills development - largest allocation in budget

Connect

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