BUDGET BRIEF 2021-2022

16 July 2021

Attorney-General and Minister for Economy, Civil Service and Communications, Honourable Aiyaz Sayed-Khaiyum, presented 2021-2022 National Budget today at 7.30pm.

This resume provides a brief outline of certain aspects of Fiji Government's Budget for the year 2021-2022 and is based upon a quick analysis of the Budget Address and related documents.

Contents

ECONOMIC OUTLOOK AND OVERVIEW

Key Indicators of Economic Outlook are summarised below:

	Calendar Year 2022 Forecast	Calendar Year 2021 Forecast	Calendar Year 2020 Estimate	Calendar Year 2019 Provisional
Nominal gross domestic product – million dollars	10,303	9,513	9,833	11,874
Real gross domestic product – million dollars	9,172	8,639	9,005	10,686
GDP growth / - contraction – real %	6.2	-4.1	-15.7	-0.4
Total exports – million dollars (excluding aircraft)	1,925	1,662	1,755	2,168
Total imports – million dollars (excluding aircraft)	4,099	3,664	3,738	5,076
Visitors' arrival – numbers	268,000	16,900	147,000	894,000
Tourism earnings - million dollars	486.6	14.3	314.9	2,065.5
Sugar and molasses exports – million dollars	97.1	75.6	122.1	115.3
Inflation - %	2.4	1.5	-2.8	-0.9

	Fiscal Year 2019-2020 (Actual)	Fiscal Year 2020-2021 (Revised)	Fiscal Year 2021-2022 (Budget)
Total Revenue	**2,716.7**	**2,111.2**	**2,085.1**
Total Expenditure	**3,353.7**	**3,216.7**	**3,690.5**
Net Deficit	**(637.0)**	**(1,105.5)**	**(1,605.4)**
Net Deficit as % of GDP	**(5.9%)**	**(11.5%)**	**(16.2%)**

(Source: Ministry of Economy)

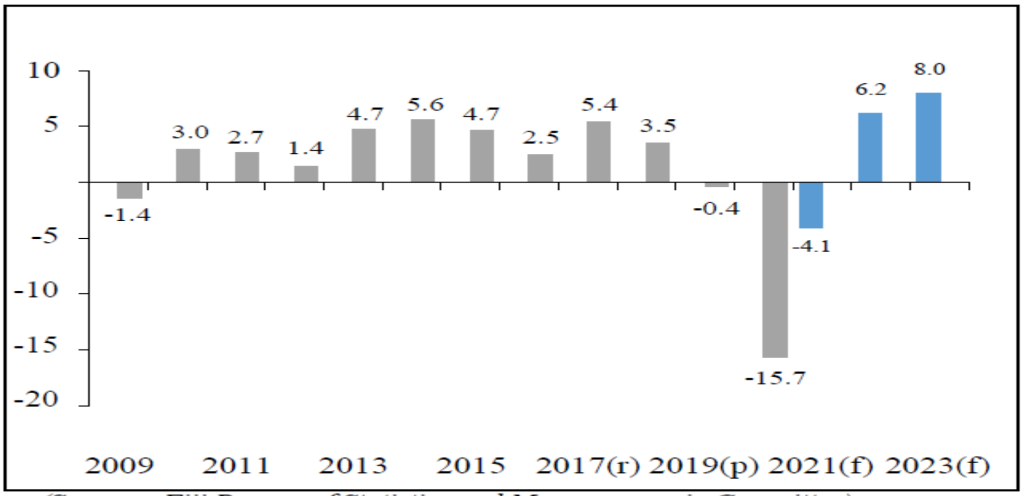
Quote - *A budget should reflect the values and priorities of our nation and its people.*

- *Mary Landrieu*

ECONOMIC OUTLOOK AND OVERVIEW (CONT'D)

Economic Overview 2020

Real GDP Growth



(Sources: Fiji Bureau of Statistics and Macroeconomic Committee)

- The Fijian economy is estimated to have contracted by 15.7 percent in 2020 due to the halt in tourism activity after border closures. The contraction in 2020 is the largest in Fiji's modern history.
- The main sectors contributing to the decline were tourism and related sectors such as the Accommodation & Food Services; Transport & Storage; as well as others such as Construction; Public Administration & Defense; Administrative & Support Services; Manufacturing; Wholesale & Retail trade and Finance.

Economic Overview 2021

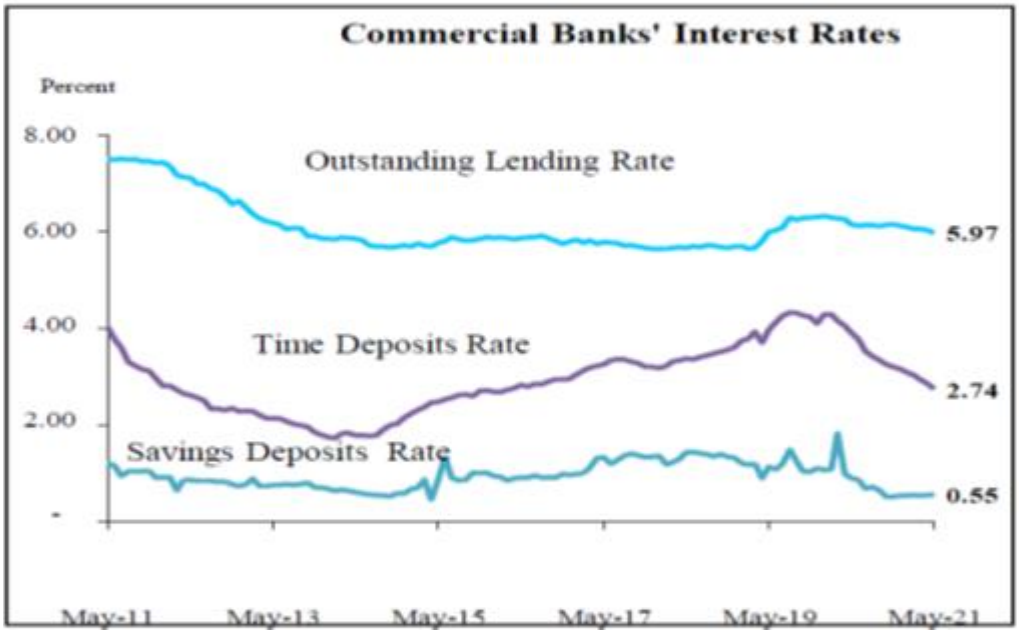
- The second wave of COVID-19 infection in the country has resulted in localised lockdowns and restrictions in movement and economic activity in most parts of Viti Levu, resulting in an expected economic contraction of 4.1 percent this year.
- However, there are downside/upside risks to the outlook as the duration of the second wave of the virus remains considerably uncertain with its future evolution and the extent of economic impact and the possibility of any major natural disasters.
- The tourism –related sectors such as Accommodation & Food Services; Transport & Storage; Wholesale & Retail Trade and Administrative & Support Services are expected to decline.
- Primary and utilities sectors, Health, Information & Communication activities are expected to register positive growth. The improvement in Primary sectors is attributed to the expected growth in non-cane crops, rise in export demand for pine and increase in production of marine fishing.

ECONOMIC OUTLOOK AND OVERVIEW (CONT'D)

Economic Overview 2022 and 2023

- The economy is projected to rebound in 2022 and 2023 by 6.2 percent and 8.0 percent, respectively. The recovery is based on expected re-opening of borders to international travel by early or mid-2022 and Government's initiative to rejuvenate the domestic economy activities. The resumption of tourism activity will lead to broad-based growth in 2022 and 2023 as overall domestic demand rebounds.

Interest Rates



- The RBF reduced its overnight policy rate (OPR) in March 2020 to support economic recovery and lending and deposit rates generally fell thereafter. More recently, the downward movement in lending rates have been due to high liquidity and subdued lending activity.

- The weighted average outstanding lending rate for commercial banks was 5.97 percent in May 2021, 15 basis points lower when compared to December 2020 . Similar reductions have also been noted for yields on Government securities. In contrast, the weighted average outstanding time deposit rate fell to 2.74 percent from 3.16 percent in December 2020. The weighted average savings deposit rate picked up from 0.54 percent to 0.55 percent from the end of last year.

Exchange Rates

- Over the year in June 2021, the Fijian dollar (FJD) strengthened against the Japanese Yen (7.9%), United States dollar (4.9%), but was lower against the Australian (-4.1%), New Zealand (-3.7%) dollars and the Euro (-0.9%).

- In June, the Nominal Effective Exchange Rate (NEER) index was higher over the year (0.7%), indicating general strengthening of the FJD.

- However, the Real Effective Exchange Rate (REER) index fell over the year (-1.5%), denoting gain in trade competitiveness largely on account of lower relative prices against major trading partner currencies.

ECONOMIC OUTLOOK AND OVERVIEW (CONT'D)

Monetary Policy and Support to the Fiji Economy

- The Reserve Bank of Fiji provided various support to the economy on the onset of COVID-19, which included a reduction of its OPR to 0.25 percent from 0.50 percent, an expansion of its various lending facilities and other quantitative easing measures.

- The RBF maintained its accommodative stance through 2020 into 2021, as its monetary policy objectives of adequate foreign reserves and stable inflation remained intact.

- In May 2021, the RBF reduced the interest rates charged to financial institutions, from 1.00 percent to 0.25 percent, on its Import Substitution and Export Finance Facility (ISEFF), Disaster Rehabilitation and Containment Facility (DRCF) and the Housing Facility (HF). Consequently, the maximum interest rate charged by lending institutions to eligible customers has also been reduced from 5.00 percent to 3.99 percent.

- As at 15 July, foreign reserves (RBF holdings) levels were around $3,125.8 million, equivalent to 10.8 months of retained imports.

- Going forward, the Bank will continue to support economic recovery via both conventional and unconventional means to ensure adequate liquidity levels.

- From a macro-prudential perspective, supervisory assessments have shown that the financial system remains stable, supported by adequate capital positions, high level of banking system liquidity and sufficient provisioning levels. However, going forward, the reopening of borders and resumption of international travel will be crucial for the recovery of the economy and continued stability.

- As at May 2021, a total of 8,850 customers with a total loan of $1.2 billion are currently being assisted by commercial banks and other financial institutions. The Association of Banks in Fiji (ABIF) has agreed to extend the support to these customers until September 2021, on a case-by-case basis.

- By year-end, banking system liquidity is expected to remain more than ample against the backdrop of Government's higher external loan drawdowns and lower import payments. As at 14 July, liquidity levels were around $1,623.6 million. Given excess liquidity and the current accommodative monetary policy stance, interest rates are projected to remain stable.

Quote - It is not necessary to do extraordinary things to get extraordinary results.

- Warren Buffet

MEDIUM TERM FISCAL STRATEGY AND TARGETS

Medium Term Fiscal Strategy

- Fiscal consolidation will be the cornerstone of Government's medium-term fiscal strategy aimed at putting the debt to GDP ratio on a downward trajectory. This is line with the principles of responsible financial management which encapsulated in the Financial Management (Amendment) Bill in order to ensure fiscal sustainability and efficient and effective use of public financial resources.

- The COVID-19 crisis and its implication on the Fijian economy has placed undue pressure on Government finances as revenue levels reduced drastically and expenditure demands increase to support the delicate economic situation and livelihoods of Fijians. Government borrowings were ramped up in the COVID-19 Response Budget and the FY2020-2021 Budget to sustain expenditures at levels similar to pre-COVID spending amidst a devastating blow to Government revenues.

- A similar fiscal stance has been adopted again for the FY2021-2022 Budget with a relatively higher fiscal deficit and elevated projected debt. This counter-cyclical fiscal stance is unavoidable as protecting the vulnerable, assisting households in need of financial support and keeping the economy afloat amidst the final stages of the crisis is critical. The alternative will be painful and counterproductive at this stage.

- However, a credible course back to a macro-fiscal stability with lower debt levels and a sustainable debt profile is necessary. This requires revenue reforms aimed at broadening the tax base, moderate tax increases and simplification of the tax policy structure to restore revenues broadly at pre-pandemic levels. However, the timing and sequencing of the revenue reforms is important as the reform package has to be carefully selected to avoid harming the fragile economy and ensuring that these reforms are equitable and growth friendly to support the recovery process.

- Accessing budget support grants and divestment of state entities will also be pursued. Restraint on Government expenditures, especially containing the size of the civil service, scaling back operating transfers and careful appraisal and selection of capital projects is equally important. Focus on zero based budgeting and medium-term focus on expenditures will be adopted to improve the quality and effectiveness of public spending.

- Debt management would focus on prudent borrowings at lowest cost possible with a key focus on concessional financing through multilateral and bilateral development partners, and managing fiscal risks emanating from contingent liabilities. Policy based development finance contingent upon deep rooted economic and public financial management reforms will continue to be pursued with agencies like the World Bank, ADB, Asian Infrastructure Investment Bank, JICA and other development partners.

- The Fijian Government's first ever Medium-Term Debt Management Strategy (MTDS) for FY2020-2021 to FY2022-2023 has been approved and published. The MTDS articulates the Government's debt objectives and outlines the framework for formulation and implementation of a prudent borrowing program. The medium-term fiscal strategy will complement this to ensure debt sustainability and fiscal discipline.

- Apart from the fiscal restraint, a strong private sector led economic recovery is equally important to raise GDP and help Government revenues rebound. Supporting private sector-led growth by streamlining regulatory hurdles, improving productivity and helping boost competitiveness will be necessary.

- Reforms are also needed to increase productivity and efficiency in state-owned enterprises through strategic partnerships with both foreign and domestic investors. This will support efforts to reduce the size of Government with the State focusing on provision of public goods and an enabling environment for the private sector to flourish.

Medium Term Fiscal Targets

Fiscal framework provides the broad revenue, expenditure, deficit and debt targets for the next 15 years as summarized below:

($M) FY Ending	Year 1 2022	Year 2 2023	Year 3 2024	Year 4 2025	Year 5 2026	Year 6 2027	Year 9 2030	Year 12 2033	Year 15 2036
Revenue	**2,085.1**	**2,965.6**	**3,095.5**	**3,267.8**	**3,450.4**	**3,643.7**	**4,295.4**	**5,070.4**	**5,992.2**
As a % of GDP	21.1	26.4	26.2	26.1	26.0	25.9	25.7	25.4	25.2
Tax Revenue	*1,597.6*	*2,695.5*	*2,832.3*	*3,002.2*	*3,182.3*	*3,373.3*	*4,017.6*	*4,785.0*	*5,699.1*
Non-Tax Revenue	*487.5*	*270.1*	*263.3*	*265.6*	*268.0*	*270.4*	*277.8*	*285.4*	*293.1*
Expenditure	**3,690.5**	**3,493.8**	**3,567.5**	**3,643.0**	**3,715.5**	**3,924.8**	**4,630.2**	**5,469.1**	**6,467.1**
As a % of GDP	37.3	31.1	30.2	29.1	28.0	27.9	27.7	27.4	27.2
Net Deficit	**(1,605.4)**	**(528.2)**	**(472.0)**	**(375.2)**	**(265.2)**	**(281.1)**	**(334.8)**	**(398.7)**	**(474.9)**
As a % of GDP	**(16.2)**	**(4.7)**	**(4.0)**	**(3.0)**	**(2.0)**	**(2.0)**	**(2.0)**	**(2.0)**	**(2.0)**
Debt	9,061.4	9,589.6	10,061.5	10,436.8	10,701.9	10,983.0	11,931.5	13,061.1	14,406.6
As a % of GDP	91.6	85.3	85.3	83.4	80.7	78.2	71.3	65.5	60.7
Nominal GDP	**9,889.2**	**11,237.5**	**11,799.3**	**12,507.3**	**13,257.7**	**14,053.2**	**16,737.6**	**19,934.7**	**23,742.6**

(Source: Ministry of Economy)

Resetting the medium term fiscal parameters

- The COVID-19 crisis resultant fiscal imbalances have to be reversed to ensure macro-fiscal stability. The broad fiscal parameters have been redefined as follows:
  - Debt to GDP ratio to be put on a downward path reaching 80 percent of GDP by FY2025-2026 and 60 percent of GDP by FY2035-2036;
  - Fiscal deficit to reduce to below 5 percent from FY2022-2023 and further reduce to 2 percent of GDP post FY2025-2026 or earlier;
  - Revenue to GDP ratio to be maintained at 26 percent of GDP by FY2022-2023;
  - Expenditure to GDP ratio to be reduced to 30 percent of GDP by FY2023-2024;
  - Target to achieve and maintain an operating surplus (operating revenues less operating expenditures) from FY2022-2023;
  - Return to and maintain surplus primary balance position from FY2023-2024 or earlier; and
  - Direct borrowings only to high impact, high return and strategic capital expenditures.

Quote - The financial crisis should not become an excuse to raise taxes, which would only undermine the economic growth required to regain our strength.

- George W. Bush

DIRECT TAX MEASURES

Income Tax

<table>
<tr><th>Policy</th><th>Description</th></tr>
<tr><td>1. Investment in Infrastructure for ICT purposes</td><td>

- Any new investment in the infrastructure for businesses engaged in the ICT Sector will be granted a tax holiday and a duty concession package, provided that 90% of the income for the investor shall be derived from the ICT businesses.

1. Tax Exemption Structure

<table>
<tr><th>Capital Investment $</th><th>Tax Holiday</th></tr>
<tr><td>$2,000,000 to $5,000,000</td><td>10 years</td></tr>
<tr><td>$5,000,001 to $10,000,000</td><td>15 years</td></tr>
<tr><td>In excess of $10,000,000</td><td>20 years</td></tr>
</table>

2. If the investor is also involved in developing strata titles and selling it to ICT/Business Process Outsourcing (BPO) companies, the sale proceeds will also be exempt from income tax.

3. Customs Exemption

Customs import duty exemption for the establishment of the business will be available on the importation of raw materials, machinery and equipment including spare parts.

- The same tax holiday period will also be extended to existing ICT/BPO companies.

</td></tr>
<tr><td>2. Incentive for Investment in an ICT Park (Telecom ICT Park, planned to be constructed at Lot 2 SO 5213, Princess Road, Tamavua)</td><td>

- Any new investment in an ICT Park (including data storage services) will be granted a tax holiday and a duty concession package.

1. Tax Exemption Structure

<table>
<tr><th>Capital Investment $</th><th>Tax Holiday</th></tr>
<tr><td>$10,000,000 to $30,000,000</td><td>20 years</td></tr>
<tr><td>In excess of $30,000,000</td><td>25 years</td></tr>
</table>

2. Customs Exemption

Customs import duty exemption for the establishment of the business will be available on the importation of raw materials, machinery and equipment including spare parts.

</td></tr>
<tr><td>3. Incentive for investment in Network Cabling and Infrastructure</td><td>

- Any company who wishes to invest in network cabling (submarine cable) and associated infrastructure development will be provided a tax holiday and duty concession package. The cable should land in Fiji.

1. Tax Exemption Structure

<table>
<tr><th>Capital Investment $</th><th>Tax Holiday</th></tr>
<tr><td>Investment above $40,000,000</td><td>30 years</td></tr>
</table>

2. Customs Exemption

Customs import duty exemption for the establishment of the business will be available on the importation of raw materials, machinery and equipment including spare parts.

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</table>

DIRECT TAX MEASURES (CONT'D)

Income Tax (Cont'd)

<table>
<tr><th>Policy</th><th>Description</th></tr>
<tr><td>4. Hotel Investment Incentive</td><td>

Extend SLIP to renovations and refurbishments of existing hotels or resorts:
5 -year tax holiday for investments more than $2,000,000. The incentive will be available for the next 18 months effective from 1 August 2021. This incentive can be claimed only once.
SLIP for new hotels
For new hotels, increased income tax exemption is available for substantial investments of more than $40,000,000. The revised tier will be as follows:
<table>
<tr><th>Capital Investment $</th><th>Tax Holiday</th></tr>
<tr><td>$250,000 - $1,000,000</td><td>5 years</td></tr>
<tr><td>$1,000,001 - $2,000,000</td><td>7 years</td></tr>
<tr><td>$2,000,001 - $40,000,000</td><td>13 years</td></tr>
<tr><td>In excess of $40,000,000</td><td>25 years</td></tr>
</table>
Standard Allowance will be increased to 50% from 25%.
Duty free importation for all hotels and resorts will be available for 18 months effective from 1 August 2021. 5% ECAL will also be waived on all imports.
</td></tr>
<tr><td>5. Incentive for Investment in Recycling Business</td><td>

Any new investment in the recycling business will be granted a tax holiday and a duty concession package.

Tax Exemption Structure
<table>
<tr><th>Capital Investment $</th><th>Tax Holiday</th></tr>
<tr><td>$250, 000 - $500,000</td><td>3 years</td></tr>
<tr><td>$500,001 - $2,000,000</td><td>5 years</td></tr>
<tr><td>$2,000,001 - $5,000,000</td><td>10 years</td></tr>
<tr><td>$5,000,001 - $10,000,000</td><td>15 years</td></tr>
<tr><td>In excess of $10,000,000</td><td>20 years</td></tr>
</table>
Customs Exemption
Customs import duty exemption for the establishment of the business will be available on the importation of raw materials, machinery and equipment including spare parts.

</td></tr>
<tr><td>6. Agriculture Incentive</td><td>

In the bid to encourage investment in the agriculture sector, the Government has further incentivized the agriculture industry, whereby any new activity in commercial agricultural farming and agro-processing qualify for income tax exemption based on the following capital investment levels:
<table>
<tr><th>Capital Investment $</th><th>Tax Holiday</th></tr>
<tr><td>$100,000 -250,000</td><td>5 years</td></tr>
<tr><td>$250,001 - $1,000,000</td><td>10 years</td></tr>
<tr><td>$1,000,001 - $2,000,000</td><td>15 years</td></tr>
<tr><td>More than $2,000,000</td><td>20 years</td></tr>
</table>
Duty free importation of all machinery, plants, equipment and tools will continue for the agriculture sector.
</td></tr>
<tr><td>7. Natural Disaster Reserve Fund</td><td>

The scope of Natural Disaster Reserve Fund will now include deposits being made for pandemic purposes.
Funds kept in the Natural Disaster Reserve Fund as at 30 June 2021 can be also utilised for current pandemic purposes.
A new Reserve Fund for business continuity during pandemics will be available for future use.
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</table>

DIRECT TAX MEASURES (CONT'D)

Income Tax (Cont'd)

Policy	Description
8. Export Income Deduction Incentive	• As announced in the COVID-19 Response Budget, the Export Income Deduction was increased from 50% to 60% and the rate is valid till 2022. The 60% Export Income Deduction has been extended until 31 December 2024. • Agriculture and fisheries sector will qualify for an increased Export Income Deduction of 90%. This deduction will be available until 31 December 2024.
9. Taxation of the mining sector	• The taxation on mining sector as stipulated under Part 6 of the Income Tax Act 2015 will be made effective from 1 August 2021.
10. Income Tax Exemption for Unit Trusts	• All Unit Trusts will be exempted from Income Tax.
11. Tax deduction for development or upgrade of online shopping websites with integrated payment platforms	• A 200% tax deduction will be allowed on the development or upgrade of online shopping websites with integrated payment platforms.
12. Tax deduction for investment in fogging machines	• A 200% tax deduction will be allowed for investment in fogging machines specifically used for decontamination and sanitizing purposes.
13. Debt Forgiveness	• As announced in the COVID-19 Response Budget and the 2020-2021 National Budget, debt forgiveness is not subject to income tax for all debt outstanding forgiven from 1 April 2020 up to 31 December 2021. This policy will now be further extended. • Debt creation period will be extended from 31 December 2020 to 31 December 2021. • Debt forgiveness period will be extended from 31 December 2021 to 31 December 2022.
14. Exempt interest income	• Income Tax Act will be amended to simplify the rules to allow interest income earned to be exempted on income less than $30,000.
15. Re-organization	• Section 88 of the Income Tax Act 2015 will extend the scope to cover partnership structure. • Furthermore, the definition of group companies will be expanded to include transfer of assets between companies that have common shareholders.
16. Tax deduction for salaries and wages	• The 300% deduction allowed on salaries and wages paid to an employee quarantined and/or tested positive for COVID-19 will be further extended from 31 December 2020 to 31 December 2022. • A letter from the Ministry of Health and Medical Services will be required for verification.
17. Tax deduction for reduction of commercial rent	• The tax deduction given to landlords for the amount of reduction of commercial rent will be increased from 100% to 200%. • The tax deduction will be further extended until 31 July 2022.
18. FNPF Contribution	• The mandatory employer and employee FNPF contribution will be increased from 5% to 6%. • Employer contribution exceeding the 6% mandatory FNPF contribution up until 10% will be allowed a tax deduction of 300%. A100% deduction is allowed under Section 23 of the Income Tax Act whilst the remainder 200% will be provided through the Other Incentives Regulations.
19. Film Making and Audio-Visual Incentives	• Film Tax Rebate payment for pending payments will resume in the new fiscal year, while processing of all new provisional applications will still be suspended.

DIRECT TAX MEASURES (CONT'D)

Tax Administration Act

Policy	Description
1. Withholding Tax on professional service fees	• Consistent with Double Taxation Agreement (DTAs) and domestic law provisions, FRCS will facilitate refund of withholding tax collected on professional service fees. • Withholding tax directly paid to non-residents will be refunded through discussions with the respective competent authorities using Mutual Agreement Process article in the DTAs. Tax Administration Act will be amended to explicitly provide for this; • Withholding tax paid by Fiji residents on behalf of non- residents will be paid using the section 33(5) of the Tax Administration Act after verifying documents and assessments.
2. Section 11 – Amendment of Tax Assessments	• FRCS will only go back 3 years to amend tax returns of companies that have a gross turnover of less than $1.25 million. Section 11 of the Tax Administration Act will be amended accordingly.
3. Dishonored cheques	• In an effort to deter taxpayers from presenting dishonored cheques, a fine of $500 will be imposed.
4. Tax write-off threshold	• The tax write-off threshold for CEO FRCS will be increased from $500 to $100,000.
5. Tax amnesty	• Tax amnesty will be granted to taxpayers with tax arrears to obtain waiver for all penalties upon payment of real taxes. • To qualify for the amnesty, taxpayers must make payment arrangements within 3 months from 1 August 2021 and make payments before 30 June 2022.
6. Tax refunds to offset customs debt and customs refund to offset tax debt	• Tax payers will be allowed to use excess credit in VAT/Income Tax or any other tax type to offset against customs debt. This policy will not be applicable for disputed tax. Similarly taxpayers will be allowed to use excess customs credit to offset against any tax debt.
7. Rulings	• The ruling legislation will be implemented from 1 August 2021.
8. Any court of competent jurisdiction may remit the matter to the CEO	• Section 86 of the Tax Administration Act will be amended to allow matters to be referred to the CEO by any court of competent jurisdiction.
9. 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 until 31 December 2023. Implementation will be made compulsory on businesses from 1 January 2024. • Furthermore, businesses who wish to implement VMS on a voluntary basis until 31 December 2023, will qualify for a tax deduction of 300% based on the expenditure incurred in the implementation process.

INDIRECT TAX MEASURES

Value Added Tax Act

Policy	Description
1. VAT exemption on all climate and disaster parametric insurance	• A climate and disaster parametric insurance refers to micro-insurance products targeting farmers, fishermen, small businesses, market vendors and other vulnerable groups, for which a small subscription fee is paid and in the event of disasters, the insured party receives payout. • Indemnity payout will be exempted from VAT. • Schedule 1 of the VAT Act will be amended to ensure that parametric insurance is an exempt supply.
2. Definition for omnibus	• The definition of omnibus for VAT zero rating purposes will be amended to align with the definition contained in the LTA Act.
3. Disclosure of VAT registration status	• The Value Added Tax Act will be amended to include the provision of disclosing or publishing of registration status of registered persons by the CEO.
4. VAT exemption on crew allowance	• Section 14 will be amended to include concession code 218A for VAT exemption on crew allowance.
5. VAT exemption on unaccompanied luggage	• Section 14 will be amended to include concession code 219A for VAT exemption on unaccompanied luggage for a travelling passenger.

Environmental & Climate Adaptation Levy Act

Policy	Description
1. Refund of the Environment & Climate Adaptation Levy (ECAL)	• Provision will be made to allow refund of ECAL for any errors and omissions, along with customs duty.
2. ECAL exemption on private importation	• Schedule 2 of ECAL Act will be amended to include concession code 212 for exemption of ECAL on private importation.
3. ECAL exemption on passenger/ crew allowance	• Schedule 2 of ECAL Act will be amended to include concession codes 218 and 218A for exemption of ECAL on crew allowance.
4. ECAL exemption on travelling passenger's unaccompanied luggage	• Schedule 2 of ECAL Act will be amended to include concession codes 219A for exemption of ECAL on travelling passenger's unaccompanied luggage.
5. ECAL exemption on importation of goods for hotels and resorts	• Schedule 2 of ECAL Act will be amended to include concession codes 235 and 235A for exemption of ECAL on importation of goods for hotels and resorts.

INDIRECT TAX MEASURES (CONT'D)

Customs Tariff Act – Fiscal Duty and Import Excise Changes

Policy	Description
1. Increase in fiscal duty on steel pipes, galvanized pipes, stainless steel pipes and rectangular tubing	• Tariff on steel pipes, galvanized pipes, stainless steel pipes and rectangular tubing will be increased to fiscal duty of 32% or $0.40 per kg whichever is greater and 10% import excise. The description will be aligned to include pipes with a wall thickness of 1.6mm to 2.3mm.
2. Reduction in fiscal duty on liquid milk, full cream milk, yogurt, butter and cheese	• Fiscal duty on liquid milk, full cream powdered milk, yogurt, cheese and butter will be reduced to 5%. • The new duty will be effective from 31 August 2022.
3. Reduction in fiscal duty on green tea	• Fiscal duty on green tea will be further reduced from 5% to 0%.
4. Concession Code 221 – Shipping companies	• Concession code 221 will be extended to include plastic seals, bolt seals and dangerous goods stickers.
5. Reduction in fiscal duty on spare parts for electrical equipment	• Fiscal duty on spare parts for electrical equipment such as detector machines will be reduced to 0%.
6. Reduction in fiscal duty on cement	• Fiscal duty on cement will be reduced to 5% for a period of 6 months, from 01 August 2021 to 31 January 2022. • Importation of cement will be facilitated under concession code 124.
7. Importation of egg trays and cup holders	• Importation of egg trays and cup holders will be subject to fiscal duty of 32%, however orders placed prior to 16 July 2021 can be facilitated under concession code 231.
8. Concession code 124 – Concessions applicable to particular goods	• Concession code 124 will be extended to include cement, timber, reinforcing bars, veneer plywood and nails in the event that there is unavailability of supply by local manufacturers.
9. Reduction in duty on fruit juices	• Fiscal Duty will be reduced from 32% to 15% on fruit juices that: - are not manufactured locally; or - have no added sugar.
10. Increase in fiscal duty on nonwoven bags	• Fiscal duty on nonwoven bags classified under chapter 63 will be increased to 32%. • To provide protection for the domestic suppliers and align the tariff, the fiscal duty will be increased from 5% to 32% on sacks and bag falling under heading 6305 of the Customs Tariff Act.
11. Reduction in fiscal duty on automotive batteries	• As a relief measure to bus companies and taxi operators, fiscal duty on all automotive batteries will be reduced from 32% to 15%.
12. Concession code 302 – broadcasting and network service provider	• Duty concession at the rate of Free fiscal duty and Free import excise will be extended towards importation of transmission and graphic equipment and spare parts.
13. Reduction in fiscal duty on audio visual equipment	• Fiscal duty on audio visual equipment as stipulated below, will be reduced to 0%: i) Television cameras, digital cameras and video camera recorders; ii) Pocket-size radio cassette players; and iii. Radio receivers.

INDIRECT TAX MEASURES (CONT'D)

Customs Tariff Act – Fiscal Duty and Import Excise Changes (Cont'd)

Policy	Description
14. Concession code 256 – Companies, entities and educational institutions	• Concession code 256 applicable on companies, entities and educational institutions will be removed as fiscal duty for items classified under this code have already been reduced in the 2020-2021 National Budget.
15. Removal of HMC License	• To reduce cost of doing business and modernize/ simplify business processes, the requirement to acquire a HMC license will be revoked.
16. Fiscal duty for vegemite	• Fiscal duty on vegemite will be reduced from 32% to 5%.
17. Concession code 235 – Existing hotels and resorts	• Concession code 235 will be extended to include outdoor equipment. • Duty concession on heavy plant and machinery will be removed as fiscal duty have already been reduced in the 2020 – 2021 National Budget.
18. Concession code 219 – A bona fide passenger finally disembarking in Fiji	• Concession code 219 will be extended to include provision for unaccompanied luggage. • In addition, concession code 219 will be extended to include 219A to accommodate duty free allowance on unaccompanied luggage of a travelling passenger.
19. Concession code 218 – A bona fide passenger finally disembarking in Fiji	• Concession code 218 will be amended to increase allowance for accompanied luggage from $1,000 to $2,000. • The code will also be amended to include allowance for unaccompanied luggage of an accumulated value of $2,000. • In addition, concession code 218 will be extended to include 218A to legislate crew allowance for flight crew disembarking from an aircraft.
20. Concession code 115 – Concessions applicable to particular goods	• Concession code 115 will be amended to remove vessels classified under headings 89.01, 89.02, 89.03, 89.04 and 89.05 as fiscal duty for these have already been reduced to 0% in the 2020-2021 National Budget. • Furthermore, the code will be amended to include vessels classified under heading 8903.99.90 – other vessels.
21. Concession code 273 – Companies or entities	• Concession code 273 will be extended to include equipment, accessories and chemicals related to desalination and sewerage treatment projects.
22. Concession code 252 – Companies or entities involved in mining industry	• Concession code 252 will be extended to include companies involved in mining exploration.
23. Concession code 301 – termidor chemicals	• Duty concession on the importation of termidor chemicals to Free fiscal duty.
24. Concession code 117 - Concessions applicable to particular goods	• Concession code 117 applicable on shaped textile fabric or assembled fabrics will be removed as fiscal duty for items classified under this description have already been reduced to 5% in the 2020-2021 National Budget. • Additional Note 15 to Chapter 50 will also be deleted as it is an explanatory note for concession code 117.
25. Concession code 287 – Approved taxi operators	• Concession code 287 (iv) will be amended to increase the age limit for used and reconditioned petrol and diesel vehicles from 2 years to 5 years from the year of manufacture.
26. Concession code 291 – Approved companies or entities	• Concession code 291 applicable on approved companies or entities will be removed as fiscal duty on importation of ethyl alcohol classified under this code have already been reduced significantly in the 2020-2021 National Budget.

INDIRECT TAX MEASURES (CONT'D)

Customs Legislation

Policy	Description
1. Dishonored cheques	• A fine of $500 will be imposed for both tax and customs revenue streams.
2. Advanced notification of arrival of a ship	• Section 11A of the Customs Act will be amended to allow ships to provide advanced notification of arrival not less than 48 hours.
3. Importation of goods for commercial purposes	• A maximum threshold of $2,000 will be introduced for the registration of the Customs entry import value for commercial consignments for Gold Card Tax Payers.
4. Section 96 of the Customs Act 1986	• A new provision on re-lodgment of refund will be included in Section 96 of the Customs Act 1986, whereby re-lodgment will be allowed for maximum of 30 days. • Furthermore, Section 96(6) of the Customs Act 1986 will be amended to increase the minimum refund amount of $50. The minimum refund of $10 remains.
5. Customs refunds to offset tax debt	• Excess credit or overpayment of customs duties, bonds or fees will be used to offset against tax debt. This policy will not be applicable for disputed amount.
6. New 100% Electric vehicles and quad bikes	• Schedule 3 Item 6 of the Customs Prohibited Imports and Exports Regulations will be amended to exempt new 100% electric vehicles and quad bikes from being Euro 4 compliant.
7. Arrival and Report Of Aircraft and Ships	• Section 36(1) of the Customs Regulations will be amended to reword and replace the words "excess or short" with "amendment", to allow all forms of amendments to be made to the inward report.
8. Departure and Clearance of Aircraft and Ships	• Regulation 94 of the Customs Regulations will be amended to reword and replace the words "excess or short" with "amendment", to allow all forms of amendments to be made to the manifest.
9. Service of Notices	• Section 188 of the Customs Act will be amended to include provision for serving notice by electronic means.
10. Penalty	• Regulation 15 of the Customs Prohibited Imports and Exports Regulations will be amended to increase penalty from $10,000 to $25,000. This is to align to the other penalties for offences stipulated in the Custom laws.
11. Duty Deferment payment for Bonded Warehouse Operators	• Section 92 of the Customs Act will be amended to allow removal of goods from Bonded Warehouse without customs duty being payable immediately, subject to certain conditions.
12. Notice of Claim on seizure of goods	• Section 157 (1) of the Customs Act will be amended to reduce the period of claim from 3 months to 14 days. • Section 158 will also be amended to reduce the period for procedure after notice of claim from 2 months to 14 days.
13. Recovery of Duties	• With the aim of harmonizing tax and customs legislations, Section 95 of the Customs Act will be amended to include provisions where Directors/Shareholders will be personally liable for recovery of duties and penalties for companies that are in financial difficulty.
14. Offence for not maintaining Proper Records	• Section 114B of the Customs Act will be amended to include an offence provision whereby businesses will be deemed accountable for failing to keep proper records.

INDIRECT TAX MEASURES (CONT'D)

Customs Legislation (Cont'd)

Policy	Description
15. Electronic Submission of documents	• Regulation 107(3) of the Customs Regulations will be amended to allow taxpayers or customs agents to submit relevant documents electronically.
16. E-cigarettes	• Schedule 2 – Item 16 of the CPEIR will be amended to include e-cigarettes as a restricted item for importation. A permit to import will be required prior to importation.
17. Definition of freight forwarders	• To ensure compliance to customs laws, the Customs Act will be amended to include the definition of freight forwarders.
18. Licensing of freight forwarders	• The Customs Act will be amended to include provision for licensing of freight forwarders.
19. Recovery of Duty as a result of Audit and Investigation	• Section 101A of the Customs Act will be amended to include timeline for recovery of duty as a result of audit or investigation. In the case of fraud, recovery can be made anytime, while for any other reason, recovery is to be made within 6 years.
20. Import VAT payments	• Import VAT payments for Gold Card Taxpayers will be deferred for two (2) months effective from 1 August 2021.
21. Importation of pasta, chips, noodles and biscuits	• To ensure availability of unexpired quality products, the CPIER will be amended to include provision remaining shelf life on the importation of pasta, chips, noodles and biscuits to not less than 12 months.

Gambling Turnover Tax Act

Policy	Description
1. Gambling Turnover Tax	• The Gambling Turnover Tax rate will be applied on at the rate of 15% on the value of ticket.

Fiji Revenue and Customs Service (Information Sharing) Regulations 2019

Policy	Description
1. Information Sharing	• Information sharing will be extended between FRCS, authorized government agencies and statutory bodies.

COVID-19 RECOVERY CREDIT GUARANTEE SCHEME

COVID-19 Recovery Credit Guarantee scheme has been introduced to provide working capital support for businesses to sustain themselves at the final stages of the crisis.

- The 2021-2022 Budget has made available $200 million for businesses to meet their operational needs, including payment of wages and salaries, rental cost, utility bills, purchase of stocks and other working capital requirements.
- Existing micro businesses, small businesses, medium sized businesses and large sized businesses can access certain level of funds under this new COVID-19 Recovery Credit Guarantee Facility.
- The Reserve Bank of Fiji will provide a special funding of $200 million that can be accessed by commercial banks, Fiji Development Bank and other licensed credit institutions at a very low rate of 0.25 percent. These financial institutions will on-lend these funding at a maximum lending rate of 3.99 percent.
- The Government will fully subsidise the 3.99 percent interest cost for the first 2 years.
- The banks have agreed that these will be interest only loans for the first 2 years. This implies that for the first 2 years, the qualifying businesses under this Facility will not be required to make any repayments as the Government will pick up the interest cost and ensure that the loans are fully serviced.
- The arrangements as above will assist businesses 2 years to stabilise and recover before they start the loan repayments from year 3.
- In the event if some loans may go bad from year 3, the Government through the RBF is providing a guarantee as detailed in the table below. The sum of $5 million is appropriated in the 2021-2022 Budget that will be paid to the RBF to manage the guarantee. Further allocations will be made over the years to ensure that sufficient funding is held at the RBF to cater for any future defaults.

The above COVID-19 Recovery Credit Guarantee Scheme is summarized as below:

Business Classification	Turnover	Maximum Eligibility	Level of Guarantee-%
Micro	Less than $50,000	$10,000	90
Small	$50,001 to $300,000	$20,000	85
Medium	$300,001 to $1,250,000	$50,000	80
Large	Greater than $1,250,000	$100,000	75
Total Available Funding		$200 million	
Interest rate		3.99 percent	

COVID-19 CONTAINMENT, VACCINATION AND HERD IMMUNITY

The 2021-2022 Budget has been presented as the Fijian economy tries to brace its way through the second wave of the pandemic with a key focus on vaccination, income support for unemployed, business revival, economic diversification and macro-fiscal stability.

The Government's strategy is for the COVID-19 containment, vaccination and securing herd immunity.

- The Fijian Government ramped up its vaccination drive with a national target of percent of the target population to be fully vaccinated by 31 October 2021.
- Australia and New Zealand have pledged the supply of 1.5 million doses of the vaccine, and with the supply from other partners like India and others through the COVAX facility, Fiji has secured enough vaccines to fully vaccinate its target population.
- As of 15 July 2021, 64 percent of the target population have already received their first dose of the AstraZeneca vaccine, while 12.5 percent of the target population has been fully vaccinated with 2 doses. Based on this trend and the planned vaccination drive, Fiji should be able to achieve the targeted vaccination rate and achieve herd immunity by end of October 2021.
- To support the drive, Government has also introduced "No Jab No Job" policy. It is now a condition of employment, and of access to employment, for all employees and employers to be vaccinated against COVID-19.
- For social and unemployment support, vaccination will become mandatory requirement.
- The Ministry of Health and Medical Services (MOHMS) is provided with an increased budget of $403.3 million, which includes hiring of additional 238 intern nurses, 140 medical interns, 114 doctors, 10 nurse practitioners and 43 midwives and a specific $25 million COVID-19 contingency fund. Apart from this, there is an additional funding provision of $12 million for supply of food and other essential items to those in quarantine and isolation and $5 million allocated for the engagement of private general practitioners to relieve pressure from the public health system.
- The development partners, private sector and civil society groups have been also providing their support to create awareness, provide technical support and with provision of medical and other essential items. More awareness campaigns and incentives will be rolled out in the days ahead to ensure that Fiji achieves herd immunity by 31 October 2021.

Quote - You never let a serious crisis go to waste. And what I mean by that it's an opportunity to do things you think you could not do before.

- Rahm Emanuel

ECONOMIC DIVERSIFICATION

The COVID-19 crisis and the downturn of the tourism industry have clearly necessitated the urgent need for economic diversification to create investment activity, jobs and to manage risks.

- In the agricultural sector, large-scale commercialisation will be pursued and nurtured to compete in the export market and to be able to effectively meet the demand for the local tourism industry.

- For the resource-based sectors like forestry and fisheries, greater value addition will be promoted as it will create higher value and more returns.

- Sustainable ecotourism venture will be supported to promote Fiji's unique flora and fauna, cultural events and adventure activities such as whale and dolphin watching or fishing. Promotion of traditional handicrafts, natural body products, local ceramic ware and exotic herbs and spices offer a great opportunity for women and small entrepreneurs which are critical for economic empowerment.

- Development of niche products and services for export will be supported. This includes organic agricultural produce, agro-processing, premium-quality garments, increasing the range of tourism products (sports tourism, cruise tourism, wedding tourism, retirement villages, medical tourism and conference tourism), regional communications and transport services, and many other new sector initiatives.

- Manufacturing sector is also growing in Fiji with potential for further expansion and entry into new manufacturing activities. Support will be provided in terms of adoption of new and better technology, new ideas and expertise which will allow cost reduction and enhance competitiveness. Foreign investment in the manufacturing sector is also needed to bring in the technical knowhow and external financing.

- To ensure these initiatives are sustainable, the private sector will play the lead role with Government providing the enabling environment in terms of infrastructure, incentives, policy certainty and assisting in terms of access to markets.

- The 2021-22 Budget introduces a number of policies and financial support towards economic diversification, some of which are covered in other sections of this Budget Brief.

- Furthermore, wide range of new tax incentive packages comprising of income tax holidays, customs duty exemptions, investment allowances and income tax deductions have been introduces together with extension of number of incentives. These are summarized in detail under Direct Taxation and Indirect Taxation Sections of this Budget Brief.

Quote - *Continuing economic growth requires both recruitment of new companies and expansion of existing businesses.*

- *Phil Bredesen*

REVENUE, EXPENDITURE AND GOVERNMENT DEBT

Revenue, expenditure and debt policies in the 2021-2022 Budget and the medium term are guided by the following principles:

Revenue Policy

In the post COVID-19 recovery, focus will be placed on achieving sustainable revenue trajectory in the medium term. Some of the guiding revenue principles to achieve revenue targets are as follows:

- Widening the tax base;
- Implementing fees, fines and charges on a cost recovery basis;
- Improving compliance and collection of revenue and arrears;
- Promoting the user-pay principle;
- Review existing Government incentives and concessions to ensure that assistance remains well targeted and loss of revenue is minimised;
- Simplifying and streamlining bureaucratic tax administrative processes; and
- Maintaining a simple, equitable and non-distortionary tax system and tax laws.

Expenditure Policy

Focus will be placed on public expenditure restraint and reprioritisation. A holistic review of all public expenditures is required with a view to rationalise expenditure through the following principles:

- Adopt zero-based budgeting for the FY2022-2023 Budget with caps placed on operating expenditure across all Ministries and agencies;
- Continuing the freeze on public sector hiring and remuneration, including for all grant recipient entities;
- Undertake a holistic review to right size the civil service;
- All new projects that have not started to be put on hold, unless critical;
- Review and downsize the scope and design for all planned projects;
- Projects that have already started to be slowed down or re-scoped if possible;
- Tighten control on operational expenditures, including travel, communications, trainings, workshops, hiring of halls, fuel & maintenance and purchase of supplies with KPIs of agency heads and Permanent Secretaries linked to these targets;
- Review service contracts and renegotiate pricing based on current economic environment;
- Cancel contracts if commencement and completion of projects in the later years will result in cost savings;
- Review grant funding to state entities and industries;
- Review the Tertiary Education Loans Scheme (TELS) and Toppers scholarship programmes;
- Funding for ongoing programmes to be based on assessment of current and past performance and progressive achievement of planned outputs;
- Proper feasibility including a cost benefits analysis to be undertaken for all new capital projects by the Ministry of Economy;
- Resources to be allocated based on a multi-year perspective and the implementation capacity of agencies considering the need to meet competing expenditure demands;
- Ministries to submit expenditure for 3 budget years;
- Low impact expenditure programmes should be ceased;
- Any new initiatives should be rolled out in phases to manage costs and pilot testing should be done for the rollout of major initiatives;
- All existing programmes to be reviewed and Government should ensure that all financial resources allocated are used prudently to derive real value for money;
- Maintain an optimal capital operating mix by strengthening control on operational spending;
- Encourage more private sector participation in public infrastructure projects and delivery of other public services through innovative financial mechanisms; and
- Proper and effective monitoring of projects and budget utilisation through the Ministry of Economy.

REVENUE, EXPENDITURE AND GOVERNMENT DEBT (CONT'D)

Debt Policy

Broad Government debt policy objectives will be as follows:

- Put debt to GDP ratio back on a downward trajectory;
- Lower the cost of debt through concessional financing from multilateral and bilateral partners;
- Maintain an optimal cost and maturity structure for the debt portfolio to ensure prudent liability management;
- Development of the domestic bond market to focus more on transparency, secondary market trading, settlement mechanism and investor diversification;
- Ensure consistent domestic market operation and provide clear investor guidance and market signalling for market development; and
- Minimise risks associated with on-lending and contingent liabilities.

Government Debt

The FY2020-2021 Budget projected Government debt to reach $8.3 billion or 83.4 percent of GDP by the end of July 2021. However, it is now estimated that Government debt as at 31 July 2021 will be much lower at around $7.6 billion or 79.2 percent of GDP. The debt to GDP ratio would have been at a much lower 76.5 percent had the nominal GDP remained as earlier anticipated. However, with the second wave of the virus, the nominal GDP levels for FY2020-2021 have reduced.

The lower than projected debt for end of July 2021 mirrors the lower fiscal deficit estimated for FY2020-2021. Fiscal deficit for FY2020-2021 is now estimated at around 11.4 percent of GDP, substantially lower than the budgeted 20.2 percent of GDP. The lower fiscal deficit is attributed to the higher than expected revenue collections, largely from divestment receipts and budget support grants and the lower than budgeted public spending.

Total Government Debt ($M) position is summarized below:

Particulars	July 2017	July 2018	July 2019	July 2020	July 2021 (Forecast)
Domestic Debt ($M)	3,300.8	3,763.0	4,278.5	4,976.5	5,240.8
External Debt ($M)	1,370.9	1,457.5	1,456.8	1,709.5	2,365.2
Total Debt ($M)	**4,671.7**	**5,220.5**	**5,735.3**	**6,686.0**	**7,606.0**
% Growth	**3.6%**	**11.7%**	**9.9%**	**16.6%**	**13.8%**
Debt (as a % of GDP)	**43.5%**	**46.0%**	**49.3%**	**65.5%**	**79.2%**
Domestic Debt to Total Debt (%)	71%	72%	75%	74%	69%
External Debt to Total Debt (%)	29%	28%	25%	26%	31%

(Source: Ministry of Economy)

The recently published Medium Term Debt Management Strategy ('MTDS') for FY2020-2021 to FY2022-2023 articulates Government's debt objectives and expresses Government's intention to source financing needs and payment obligations at the lowest possible cost, balanced with acceptable levels of risk.

Government borrowings will be guided by the MTDS, the medium-term fiscal strategy, existing debt policies and principles of responsible financial management to ensure that public debt remains within sustainable levels. To track the progress of the MTDS, the Ministry of Economy will publish information on cost and risk indicators in the regular quarterly debt bulletins. The MTDS will be reviewed annually in light of changing economic and market conditions.

Contingent Liabilities

At the end of April 2021, total contingent liabilities stood at $1.6 billion or 16.8 percent of GDP. Government guaranteed debt accounted for 64 percent while other explicit contingent liabilities and implicit contingent liabilities accounted for the remaining 30.4 percent and 5.6 percent, respectively.

Total Government guaranteed debt stood at $1 billion, equivalent to 10.8 percent of GDP at the end of April 2021. This represents a 9.9 percent increase when compared to the previous quarter, which was mainly attributed to the utilisation of approved guaranteed facilities by the Housing Authority (HA), FDB and Fiji Airways (FA).

GOVERNMENT'S FISCAL POSITION AND CASHFLOW

2021-2022 Fiscal Framework

With total Government expenditure budgeted at around $3,690.5 million in FY2021-2022 and revenues projected at $2,085.1 million, the net deficit is set at around $1,605.4 million or around 16.2 percent of GDP. Total gross financing, which is the sum of the net deficit and principal debt repayments, is around $1.97 billion. The gross deficit will be financed through borrowings from multilateral and bilateral development partners, domestic market and cash holdings carried from this financial year.

Government has also lined up financing from a number of external bilateral and multilateral partners to finance the gross deficit. Apart from external funding sources, borrowing in the domestic market, Government cash holdings and planned quantitative easing measures by RBF will further supplement the overall gross financing needs.

The 2021-2022 budget framework and planned financing sources for the gross deficit is summarized below:

Particulars	FJ $m
Revenue	**2,085.1**
Tax *Revenue*	1,597.6
Non-*Tax* Revenue	487.5
Expenditure	**3,690.5**
Net Deficit	**1,605.4**
Add Debt Repayments	367.8
Gross Deficit	**1,973.2**
Financed by:	
World Bank	349.1
ADB	327.9
Bilateral	327.9
EIB	15.7
Direct Payments	90.7
Cash at Bank (Domestic)	150.0
Domestic Borrowing (bonds, T-bills)	711.9
Total Available Financing	**1,973.2**

Quote - *"Don't tell me what you value, show me your budget, and I'll tell you what you value."*

- *Joe Biden*

GOVERNMENT'S FISCAL POSITION AND CASHFLOW (CONT'D)

Government's Cashflow Statements

The table below provides Government's Cashflow Statements for the FY 2019-2020 to FY 2021-2022.

	2019-2020 (Actual)	2020-2021 (Revised)	2021-2022 (Budget)
Operating Receipts			
Direct Taxes	610.5	462.3	457.2
Indirect Taxes (excluding SEG 13 VAT)	1,551.7	922.9	1,094.6
- *VAT (excluding SEG 13 VAT)*	**596.2**	**418.5**	**498.2**
- *Customs Duties*	*528.9*	398.1	459.4
- *Service Turnover Tax*	*62.5*	1.1	-
- *Water Resource Tax*	*56.2*	73.6	89.8
- *Departure Tax*	*113.8*	1.1	10.2
- *Stamp Duty*	*66.3*	7.9	-
- *Fish Levy*	*0.02*	-	-
- *Telecommunication Levy*	*0.9*	0.8	1.0
- *Environment and Climate Adaptation Levy*	*126.9*	21.7	35.9
Fees, Fines, Charges & Penalties	141.7	124.1	130.9
Grants in Aid	67.6	250.2	116.3
Dividends from Investments	49.5	51.2	48.0
Reimbursement & Recoveries	14.0	27.8	10.4
Other Revenue & Surpluses	31.5	26.1	24.7
Total Operating Receipts	**2,466.5**	**1,864.6**	**1,882.1**
Operating Payments			
Personnel	987.8	934.0	988.6
Transfer Payments	655.6	605.4	646.5
Supplies and Consumables	276.3	243.9	252.5
Special Expenditures	57.2	48.8	145.8
Interest	345.1	374.7	376.9
Other Operating Payments	11.8	0.9	13.2
Total Operating Payments	**2,333.8**	**2,207.7**	**2,423.5**
Net Cashflows from Operating Activities	**132.7**	**(343.1)**	**(541.4)**
As % of GDP	*1.2%*	*-3.6%*	*-5.5%*

(Source: Ministry of Economy)

GOVERNMENT'S FISCAL POSITION AND CASHFLOW (CONT'D)

Government's Cashflow Statements (Cont'd)

	2019-2020 (Actual)	2020-2021 (Revised)	2021-2022 (Budget)
Investing Receipts			
Sale of Government Assets	211.4	210.4	150.1
Interest from Bank Balance	2.2	1.9	1.5
Interest on term loans and advances	0.4	5.1	2.6
Return of Surplus Capital from Investment	4.3	3.5	3.0
Foreign Exchange Rate Gains	0.2	-	-
Total Investing Receipts	**218.5**	**220.9**	**157.2**
Investing Payments			
Transfer Payments	843.0	871.9	1,075.7
Purchase of Physical Non-Current Assets	145.2	111.4	145.5
Total Investing Payments	**988.2**	**983.3**	**1,221.2**
Net Cashflows from Investing Activities	**(769.7)**	**(762.4)**	**(1,064.0)**
As % of GDP	***-7.2%***	***-7.9%***	***-10.8%***
Net (Deficit)/Surplus	**(637.0)**	**(1,105.5)**	**(1,605.4)**
As % of GDP	***-5.9%***	***-11.5%***	***-16.2%***

(Source: Ministry of Economy)

In FY 2021-2022, investing revenue is expected to be $157.2 million as Government plans to divest shares in ATH Limited, Fiji Airports Limited and other smaller state-owned entities.

Note: The numbers excludes SEG 13 or Government VAT. The exclusion of Government VAT from revenue and a similar amount from expenditure does not affect the overall net deficit position. Minor differences in numbers are due to rounding off decimal places.

Revenue and Expenditure

The revenue and expenditure aggregates from 2019-2020 to 2021-2022 are summarized below:

	2019-2020 (Actual)	2020-2021 (Revised)	2021-2022 (Budget)
Total Revenue (excluding SEG 13 VAT)	**2,684.9**	**2,085.5**	**2,039.3**
as a % of GDP	25.0%	21.7%	20.6%
Total Expenditure (excluding SEG 13 VAT)	**3,322.0**	**3,191.0**	**3,644.7**
as a % of GDP	30.9%	33.2%	36.9%
Total Revenue (including SEG 13 VAT)	**2,716.7**	**2,111.2**	**2,085.1**
as a % of GDP	25.3%	22.0%	21.1%
Total Expenditure (including SEG 13 VAT)	**3,353.7**	**3,216.7**	**3,690.5**
as a % of GDP	31.2%	33.5%	37.3%
GDP at Market Prices	**10,739.6**	**9,598.1**	**9,889.2**

(Source: Ministry of Economy)

We trust that you find this resume useful. If you would like to discuss any aspect of the Budget, please take the opportunity to contact us.

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