



Fiji Institute of Accountants

Level 3, Fiji Teachers Union Building, 1-3 Berry Road, GPO Box 681, Suva, Fiji

Telephone: (679) 3 305 807, Facsimile: (679) 3 305 588, Email: fia@connect.com.fj, Website: www.fia.org.fj

20 March 2020

The Honourable Attorney-General and Minister for Economy, Civil Service and
Communications
Level 7, Suvavou House
Victoria Parade
SUVA

Dear Honourable Attorney-General and Minister

The Fiji Institute of Accountants is pleased to be a part of the consultative process for Government's Covid-19 Response Budget.

We are also pleased to note the reduction in the Reserve Bank of Fiji ("**RBF**") overnight policy rate to 0.25% and the reduction in the interest rate at which commercial banks may borrow from the RBF under the Repurchase Facility to 0.50%. This will hopefully translate into a reduction in the lending rates by financial and credit institutions for consumers, including the interest rate on hire purchase transactions.

The global economic impact of the Covid-19 pandemic is expected to be significant, and we are already seeing its impact on Fiji's tourism industry. Most of the hotels are also experiencing very low occupancies. For instance, Rosie Holidays have announced a \$15 million loss in revenue since the outbreak and some of the initial measures have put in place to ensure that the business can remain sustainable include reduced pay and reduced hours.

It is very important to ensure that the welfare of Fijians is at the foremost and we continue to maintain a positive mindset through these tough times. Government has an important role in ensuring this and can do this through announcing specific measures to cushion the impact of Covid-19 on Fijians.

We enclose our submission on some of the measures that could provide relief to Fijians. The main focus of our submission being as follows:

- Access to affordable hygiene products to allow Fijians to maintain a clean and healthy lifestyle during the Covid-19 pandemic; and
- Relief measures to the tourism industry and the small and micro enterprises (“SMEs”) which support the livelihoods of many Fijians.

We would be glad to discuss our submission with you in detail.

Yours faithfully



Nitesh Lal
President

CC Fiji Inland Revenue and Customs Service
Enclosure

**Fiji Institute of Accountants
Covid-19 Response Budget Submission**

Category	Specific measures	Reasons / Comments
Awareness	<ul style="list-style-type: none"> • Government should allocate some funds for public awareness and carry out more public awareness through billboards and advertising. 	<ul style="list-style-type: none"> • Public awareness, especially in relation to maintaining personal hygiene and personal distancing, is very important in ensuring that any spread of Covid-19 in Fiji is effectively managed.
Hygiene and cleaning products	<ul style="list-style-type: none"> • Temporarily reduce duty on hygiene and cleaning products to zero. • This should include hand sanitisers, bath soaps, liquid hand wash, disinfectants, anti-bacterial wipes, tissues, etc. • Consider introducing temporary price control to limit price gouging in these products 	<ul style="list-style-type: none"> • This will make personal hygiene products more affordable and accessible to Fijians. • Maintaining good personal hygiene will likely limit the spread of Covid-19 in Fiji (should Fiji have any cases). This will in turn ease the burden on our public health system.
Encourage local tourism	<ul style="list-style-type: none"> • Moratorium on Service Turnover Tax (“STT”) and Environment and Climate Adaptation Levy (“ECAL”). • Encourage prescribed service providers to reduce their charges/rates. 	<ul style="list-style-type: none"> • Reduced charges along with a moratorium on STT and ECAL will make hotel and other prescribed services more attractive and affordable for Fijians and is likely to encourage local tourism. • Increased local tourism will generate revenue and will allow operators to sustain ongoing costs and keep Fijians employed.

Category	Specific measures	Reasons / Comments
Tourism Fiji	<ul style="list-style-type: none"> • Reduce the overall Tourism Fiji budget and reallocate within the tourism sector e.g. to offset against STT/ECAL moratorium. 	<ul style="list-style-type: none"> • With Australian and New Zealand being advised to refrain from travelling overseas, our tourist numbers are not likely to normalise anytime soon despite the amount of advertising that we carry out. Part of the Tourism Fiji budget could be put to other use where funding is more urgently required.
Tax measures / Fiji Revenue and Customs Service (“FRCS”)	<ul style="list-style-type: none"> • Defer implementation of Phase 3 of the VAT Monitoring System (“VMS”) / Electronic Fiscal Device (“EFD”) requirements. • Defer advance tax payments, especially for SMEs (by say 6 months) or increase the number of instalments, to say 6, over which advance tax is paid to assist with cash flows. • Where a taxpayer decides to estimate advance tax, statement of estimate tax liability must be lodged before the due date for the first advance tax payment. Businesses affected by COVID-19 should be allowed to re-estimate their advance taxes for payments due notwithstanding the first advance tax payment date may have passed. 	<ul style="list-style-type: none"> • Some companies (depending on their systems) will be incurring significant costs to implement VMS/EFD. At this time business which are already experiencing hardships (e.g. tourism) and could redirect funds allocated to VMS/EFD implementation to meeting other fixed costs (e.g. salaries and wages). • Apart from the tourism sector, SMEs are likely to be the hardest hit by the impact of Covid-19. Deferring advance tax payments for SMEs will provide some short-term cash flow relief. • While businesses and taxpayers are focussed on managing the impact of Covid-19, the last thing that they want is to be looking at new systems (and there are already various issues with TPOS) which have been highlighted to the FRCS.

Category	Specific measures	Reasons / Comments
Tax measures / Fiji Revenue and Customs Service (“FRCS”) – cont’d	<ul style="list-style-type: none"> • Remove penalties on re-estimation of advance tax payments for tax years affected by COVID-19. • Extension of time to lodge returns for all tax types (as impacted by ability to complete audits/financial statements etc) on a case by case basis without penalty – particularly where advance taxes have already been paid. • Defer roll out of additional tax modules in Taxpayer Online Services Portal (“TPOS”) until later in the year or until the “manage clerk” is available. The system cannot be used by taxpayer and tax agents without the “manager clerk” function. • Defer work on the VAT and Customs & Excise Bills to later in the year. VAT refund allocation to be increased and VAT refunds to be expedited to allow cash flow to businesses. VAT refunds are taxpayer money anyway. • Suspend the application of the debt forgiveness, thin capitalisation and add back of unpaid accruals. 	<ul style="list-style-type: none"> • Most multinational companies have advances from related entities. With a view to restructuring their arrangements, some entities may forgive debt of the Fiji entities where the Fiji entities are unable to repay the debt. In these cases paying tax on debt forgiven would create an unnecessary tax burden on the already struggling companies. • Overseas related entities may also provide additional loans to Fiji subsidiaries, but this could go beyond the current thin capitalisation threshold, thus resulting in tax adjustments and tax payable. • Businesses unable to pay creditors or those with deferred payment arrangements will be further pressured by the existing provisions. • Suspending provisional tax deductions will create additional cash flows in the hands of businesses in the short term. • The 200% to 300% deduction may encourage employers to retain their employees as opposed to lay them off.

Category	Specific measures	Reasons / Comments
Tax measures / Fiji Revenue and Customs Service (“FRCS”) – cont’d	<ul style="list-style-type: none"> • Suspend provisional tax deductions. Re-introduce Certificate of Exemption (“COE”) where provisional tax is not required to be deducted from payments to holders of a COE. • 200% to 300% deduction on employers who continue to pay salaries and wages (not annual leave) to affected employees during a lock down period. 	
Manufacturing	<ul style="list-style-type: none"> • To encourage investment in manufacturing sector, continue 100% accelerated depreciation on plant & machinery. • Provide to new manufacturing companies with income tax exemptions based on number of employees as follows: <ul style="list-style-type: none"> i. 10 to 25 employees 5 years income tax exemption ii. 26 to 50 employees 7 years income tax exemption iii. More than 50 employees 13 years income tax exemption 	<ul style="list-style-type: none"> • To widen the manufacturing base and remove our reliance on tourism • To encourage those companies that export their products or for import substitution. • Increased foreign exchange

Category	Specific measures	Reasons / Comments
Exporters	<ul style="list-style-type: none"> • 100% export income deduction 	<ul style="list-style-type: none"> • To encourage the growth in export industries and consequently foreign earnings following COVID-19 impacts. • Since this is a deduction, there will be revenue loss to the FRCS only where the exporter makes a profit.
Companies Office	<ul style="list-style-type: none"> • Extension of time for re-registration of companies / businesses with the Registrar of Companies 	<ul style="list-style-type: none"> • This will allow businesses to focus on more important matters at this time.
Financing	<ul style="list-style-type: none"> • Moratorium on stamp duty on financing arrangements. • Interest only repayments on borrowings. • Remove credit card fees charged by merchants • Ensure that bank reduce interest rates in line with the reduction in the RBF overnight policy rate 	<ul style="list-style-type: none"> • Businesses cash flows will be significantly impacted during this time and many are likely to be forced to seek additional financing from banks. Tax on this additional financing in the form of stamp duty would hardly be equitable. • To encourage expansionary capital investment plans which would often be financed through borrowings. • Removing credit card charges will encourage consumers to send using the credits cards and generate economic activity.

Category	Specific measures	Reasons / Comments
Fiji National Provident Fund	<ul style="list-style-type: none"> • Reduce employer and employee contributions to say 7% until the COVID-19 situation normalises (what it used to be previously) • Waiver of late payment penalties for the next 6 months. 	<ul style="list-style-type: none"> • With the reduced employee deductions, employees will have additional take home pay during this time of crises • Reduced employer contributions will reduce the salaries and wages cost for employees and will allow employees to maintain the employment levels at reduced costs.
Construction	<ul style="list-style-type: none"> • Review duty rates for importation of construction material not manufactured locally • Accelerated depreciation on commercial buildings; to be claimed in any 5 out of 10 years. 	<ul style="list-style-type: none"> • Alternative sources to usual suppliers may lead to increased pricing, which could otherwise result in projects being deferred or put on hold. • This is likely to encourage companies to complete existing projects or continue with plans of proposed projects. • Overall impact of these measures is likely to result in reduced job losses.
Telecommunications	<ul style="list-style-type: none"> • Reduce cost of data during the COVID-19 crisis and allow 200% to 300% tax deduction on data related costs 	<ul style="list-style-type: none"> • Given the COVID 19 Pandemic and related lock downs a lot of businesses will be required to work remotely, thus increasing the cost of data to business.

Category	Specific measures	Reasons / Comments
Housing	<ul style="list-style-type: none"> Review VAT on residential housing - VAT should be imposed by reference to rent paid by the tenants as opposed to the total rental income of the landlord. 	<ul style="list-style-type: none"> The intention of imposing VAT on residential rental is to impose VAT on high rental properties. However, currently VAT is imposed on residential accommodation by reference to the rental income of the landlord as opposed to the rent paid by the tenant. This could have the potential of VAT being payable on low-end rental properties occupied mainly by low income earners where the landlord has a number of such low-end properties with the total rental income of the landlord exceeding the current \$100,000 threshold. Change in the way VAT is imposed on residential accommodation could result in additional cash flow for low income earners where they are paying VAT on the rents.