



Chartered Accountants
and Business Advisors

COVID-19 RESPONSE 2020 FIJI BUDGET SUMMARY

**Presented by Honorable Attorney General, Minister for
Economy, Civil Service and Communication**

26 March 2020



passion | teamwork | clarity | quality | integrity



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The Honourable Attorney General, Minister for Economy, Civil Service and Communications presented Government's COVID-19 RESPONSE BUDGET yesterday, 26 March 2020.

Government will provide a \$1 billion dollar Stimulus package which incorporates a collective mobilization of various measures via the FNPF, RBF, Commercial Banks and Other Finance Companies, EFL, WAF and others.

Here are some highlights and a quick summary of the measures and initiatives rolled out to stimulate the economy.

GOVERNMENT SALARY CUTS

- * All elected officials, the PM, Ministers, Assistant Ministers and all Members of Parliament will have their pay suspended by 20% for the next six months

HEALTH FACILITIES BOOST

- * Government will inject an additional \$40 million to enhance the health system capacity to respond to COVID-19 pandemic. This is on top of \$347.50 million allocated health sector in this financial year

NEW INCENTIVES FOR BUSINESS

HOTEL INVESTMENT INCENTIVE PACKAGE

- * Tax holiday for investment into new hotel construction from \$250,000 to more than \$2 million dollars of 5, 7 and 13 years respectively.

CAPITAL EXPENDITURE INCENTIVE

- * 100% write off available for the construction of new commercial buildings provided approvals obtained prior to 31 December 2020
- * 100% write off on purchases of fixed assets of up to \$10,000 for business purposes applicable on purchases up to 31 December 2020

BUSINESS ASSISTANCE

- * FNPF contributions to be reduced to 5% for Employers and employees from 1 April to 31 December 2020
- * Government will pay 21 days COVID-19 leave for low income Fijian who have tested positive for Coronavirus—must be certified by MOH and Medical Services
- * Government will reimburse salaries to employers affected by COVID-19 who cannot pay their employees—Applies to workers earning less than \$30,000 per annum
- * Deferment of loan repayments (principal and interest) for 6 months
- * Waiver of penalties on late lodgments of tax returns.

SME ASSISTANCE

- * SMEs Credit Guarantee Scheme will be given additional \$5m in response to COVID-19
- * Fiji Investment Corporation Limited (FICL) will be revived to aid SMEs with immediate equity injections and refinancing opportunities.
- * RBF has expand Natural Disaster Rehabilitation facility to include COVID-19 and the new facility will be renamed to Disaster Rehabilitation and Containment Facility. RBF will make available \$60 million worth of loans to commercial banks at an interest rate of 1%. Banks can then loan these fund to SMEs and Customers at a maximum rate of 5%
- * One off payment of \$150 to all Hawker license holders in the informal sector in the lockdown areas;

EMPLOYEES AND INDIVIDUALS ASSISTANCE

- * From 1st April 2020 Fijian workers in hospitality Industry who have lost their jobs or have their hours cut since 1 February 2020 can access an initial \$1,000 from their FNPF Account. If the worker does not have enough in their FNPF account, then Government will subsidize the balance
- * All workers with reduced hours or placed with Leave without pay (LWP) in lockdown areas will be able to access \$500 from their FNPF account. Again, government will top up to \$500 anu shortfall.
- * 6-month loan deferment for Fijians who have lost their jobs or had their hours reduced. This applies to all Hire Purchase, License Institutions and Banks.

STUDENTS ASSISTANCE

- * Students under TELS will have their loan repayment suspended until 31 December 2020



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ELDERLY CARE

- * All Elderly citizens over 65 years old and who are most at risk from the coronavirus are urged to stay home until Fiji is coronavirus free.
- * Government will reduce the monthly travel allowance for Pensioners from \$40 to \$20 and encourages younger family members to do their shopping and other errands for the Elders. This is temporary measure and will be reviewed in 3 months.

OTHER SUPPORT INITIATIVES TO ALL

- * WAF and EFL to ensure essential services keep running. From July 2020 WAF has agreed to cart water to any area in Fiji impacted by water cuts
- * WAF will suspend all disconnections until 31 December 2020
- * EFL will fully match governments 50% subsidy on the first 100 units of electricity for all of its subsidy customers—Household earning less than \$30,000 annually
- * EFL will allow all subsidized EFL customer s up to one month to pay their electricity bill s up until 31 December 2020
- * Fijians in the informal sector who have confirmed to have contracted COVID-19 virus will be paid one off sum of \$1000
- * Banks to remove electronic charges to allow more electronic and online payments by customers and consumers
- * Certain Commercial Banks in Fiji have agreed to reduce their lending rates to assist affected Businesses and Customers
- * Government is allocating additional \$20 million to Social Welfare for those who qualify for social welfare
- * FNU and Walesi will form new partnership to strengthen online learning using Walesi platform to leverage technology.

GOVERNMENT INSTITUTIONAL STRENGTHENING

- * Government will also strengthen the balance sheets of FSC, PAFCO, Fiji Rice Limited, Food Processors Ltd and Viti Corporation Company Ltd by converting their loans into equity in these Public Enterprises.
- * Government will acquire FNPF and FHL's shares in the FSC to meet legal requirements to convert government debt in FSC into equity
- * Fiji Rice Ltd to inject \$1m into rice planting scheme
- * \$1 million to Ministry of Agricultural to bolster Fiji's food Security
- * Government will allocate \$50 million to FSC to fund Cane Delivery payments
- * Government is allocating additional \$20 million to Education budget



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DIRECT TAX MEASURES Income Tax Act

Policy	Description								
1. Export Income Deduction Incentive	<ul style="list-style-type: none"> The Export Income Deduction (EID) will be increased from 50% to 60% for tax years 2020, 2021 and 2022 								
2. New Hotel Investment Incentive Package	<ul style="list-style-type: none"> The existing package will be repealed and replaced with the following: <ul style="list-style-type: none"> Short Life Investment Package (SLIP) <ul style="list-style-type: none"> Income tax exemption for the construction of new hotels based on the following capital investment levels: <table border="1"> <thead> <tr> <th>Capital Investments (\$)</th> <th>Tax Holiday</th> </tr> </thead> <tbody> <tr> <td>\$250,000 - \$1 million</td> <td>5 Years</td> </tr> <tr> <td>\$1 million to \$2 million</td> <td>7 Years</td> </tr> <tr> <td>More than \$2 million</td> <td>13 years</td> </tr> </tbody> </table> Standard Allowance <ul style="list-style-type: none"> An Investment allowance of 25% will be allowed on the capital expenditure incurred for the construction, renovation, refurbishment and extension. This applies to new and existing hotels. The new Hotel Investment Incentive Package will be applicable from 1 April, 2020 to 31 December 2022. 	Capital Investments (\$)	Tax Holiday	\$250,000 - \$1 million	5 Years	\$1 million to \$2 million	7 Years	More than \$2 million	13 years
Capital Investments (\$)	Tax Holiday								
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\$1 million to \$2 million	7 Years								
More than \$2 million	13 years								
3. Business losses	<ul style="list-style-type: none"> Business losses of up to \$20,000 will be allowed to be deducted against employment income to compute the chargeable income and the overall tax position of the personal income taxpayers. 								
4. Provisional Tax	<ul style="list-style-type: none"> The certificate of exemption will be reintroduced for the 5% Provisional Tax. 								
5. Advance Payments of Tax	<ul style="list-style-type: none"> The rule for advance payment of tax for companies and other taxpayers will be relaxed from the current 3 payments at a rate of 33 1/3% to 9 payments at a rate of 11 1/9% Penalties on estimated tax will also be removed. The policy will be valid until 31 December 2020. 								
6. Debt Forgiveness	<ul style="list-style-type: none"> Debt forgiveness will not be subject to income tax. Applies to forgiving of any outstanding debt. This will be applicable from 1 April 2020 to 31 December 2020. 								



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7.Thin Capitalization	<ul style="list-style-type: none">▪ Thin capitalization rules will be suspended for borrowings undertaken from 01 April, 2020 up to 31 December 2020.
8.Tax deduction for salary/ wages paid for quarantined/ isolated employees	<ul style="list-style-type: none">▪ A 300% tax deduction will be allowed to employers for wages/ salary paid to employees who are quarantined and approved by Ministry of Health and Medical Services.
9.Employment Taxation Scheme	<ul style="list-style-type: none">▪ Employment Taxation Scheme to be incentivized further as follows:<ul style="list-style-type: none">• Tax deduction on wages paid on first full- time employee will be increased from 200% to 300%.• Tax deduction on wages paid for work placements in the related area of study up to 6 months in a year before graduation, as part of the course requirements will be increased from 200% to 300%.• Tax deduction on wages paid to students employed on a part-time basis (in the related area of study up to 3 months in a 12-month period) will be increased from 200% to 300%.• Tax deduction on wages paid in the employment of disabled people employed for 3 consecutive years will be increased from 300% to 400%.▪ This will be extended till 2023.
10.Contribution to the COVID-19 Fund	<ul style="list-style-type: none">▪ A 300% tax deduction will be available for donation made to the COVID-19 Fund.
11.Depreciation write-off incentive	<ul style="list-style-type: none">▪ A 100% write-off will be available on purchases of fixed assets of up to \$10,000 for business purposes.▪ This will be applicable on purchases up to 31 December 2020.
12.Accelerated Depreciation	<ul style="list-style-type: none">▪ A 100% write-off available for the construction of a new commercial and industrial buildings provided approvals are obtained prior to 31 December, 2020.
13.Film Making and Audio-Visual Incentives	<ul style="list-style-type: none">▪ Processing of new provisional applications for the Film Tax Rebate as well as pending payments will be suspended until further notice.▪ The provisions under the Income Tax (Film-Making and Audio Visual incentive) Regulations remain unchanged.
14.Tax deduction for reduction of commercial rent	<ul style="list-style-type: none">▪ A tax deduction will be accorded to landlords for reduction of commercial rent. The reduction refers to the rent payable after 01 April 2020 to 31 December 2020.▪ The deduction will only apply to existing rental contracts.▪ Landlord will have to provide record of rental income received for the past 6 months.



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Tax Administration Act

Policy	Description
1. Waiver of penalty for late lodgment	Waiver of penalty for failure to file a tax return or lodge other documents by the due date. <ul style="list-style-type: none">The waiver will apply to all late lodgment penalties incurred after 01 April 2020 until 31 Dec 2020.

Stamp Duty Act

Policy	Description
1. Stamp duty on mortgages	<ul style="list-style-type: none">Stamp duty levied on mortgages for resident taxpayers will be reduced from 1.75% to 0%.Stamp duty levied on mortgages for foreign taxpayers will be reduced from 5% to 0%.Effective from 1 April 2020 to 31 December 2020.
2. Air Waybills	<ul style="list-style-type: none">\$10 Stamp Duty on Air Waybills for any goods, merchandise, or effects exported from Fiji will be removed.

INDIRECT TAX MEASURES

Value Added Tax Act

Policy	Description
1. VAT Monitoring System (VMS)	<ul style="list-style-type: none">The implementation of the VAT Monitoring System as captured in the Electronic Fiscal Device (EFD) Regulations will be deferred to 1 January 2021.The VAT Monitoring System will be applicable on gross turnover of more than \$100,000.The taxpayers who voluntarily register for VAT (that is, those presently below \$100,000) will not be captured in VMS.

<p>2.VAT exemption on medical supplies</p>	<ul style="list-style-type: none"> ▪ To assist the medical sector during the COVID-19 crisis, the importation of the following items will be exempt from Import VAT: <ul style="list-style-type: none"> ▪ Hand sanitizers and antibacterial hand wash; ▪ Gloves (surgical, medical, knitted, crocheted with plastic coating) ▪ Masks; ▪ Disposable hair nets; ▪ Disinfectant Wipes; ▪ Tissue papers; ▪ Face shield; ▪ Medical Goggles and spectacles (used in the lab and medical facilities); ▪ Protective plastic garments for surgical and medical use; ▪ Protective garments of textiles or rubberized textiles; ▪ Long sleeve medical gowns; ▪ Scanners and cameras used in medical examination; ▪ Ethanol for companies involved in hand sanitizer production; ▪ Disinfectants; ▪ Vaccinations and Medicaments of Chapter 30; ▪ Air purifier; ▪ Boots – specifically used in medical environment; ▪ Hospital beds; ▪ Hydrogen peroxide; ▪ Paper bed sheets; ▪ Thermometers; ▪ Medical equipment under chapter 90 of the Customs Tariff.
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Customs Tariff Act – Fiscal Duty Changes

Policy	Description
<p>1. Hand Sanitizers and antibacterial hand wash</p>	<ul style="list-style-type: none"> ▪ Fiscal duty on hand sanitizers and hand wash will be reduced from 32% to 0%.
<p>2. Gloves</p>	<ul style="list-style-type: none"> ▪ Fiscal duty on medical and surgical gloves will be reduced from 5% to 0%. ▪ Fiscal duty on plastic gloves will be reduced from 32% to 0%. ▪ Fiscal duty on knitted, crocheted and textile gloves will be reduced from 32% to 0%.
<p>3. Masks</p>	<ul style="list-style-type: none"> ▪ Fiscal duty on masks will be reduced from 32% to 0%.
<p>4. Disposable hair nets</p>	<ul style="list-style-type: none"> ▪ Fiscal duty on disposable hair nets will be reduced from 15% to 0%.
<p>5. Disinfectant wipes</p>	<ul style="list-style-type: none"> ▪ Fiscal duty on disinfectant wipes will be reduced from 32% to 0%.
<p>6. Tissue papers</p>	<ul style="list-style-type: none"> ▪ Fiscal duty on tissue papers will be reduced from 32% to 0%.



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7. Face shield (Medical Use)	<ul style="list-style-type: none">Fiscal duty on face shield used for medical purposes will be reduced from 15% to 0%.
8. Medical Goggles and spectacles	<ul style="list-style-type: none">Fiscal duty on medical goggles and spectacles to be reduced from 5% to 0%.
9. Protective garments	<ul style="list-style-type: none">Fiscal duty on protective garments for surgical and medical use will be reduced from 32% to 0%.Fiscal duty on protective garments of rubberized textiles and plastic will be reduced from 32% to 0%.
10. Long sleeve medical gowns	<ul style="list-style-type: none">Fiscal duty on long sleeve medical gowns will be reduced from 32% to 0%.
11. Ethanol for companies involved in hand sanitizer production	<ul style="list-style-type: none">Fiscal duty on ethanol (undenatured 80% or more ethyl alcohol) will be reduced from \$198.60 to \$0.Fiscal duty on ethanol (undenatured 75% or more ethyl alcohol) will be reduced from \$198.60 to \$0.
12. Disinfectants/sterilization products	<ul style="list-style-type: none">Fiscal duty on disinfectants will be reduced from 32% to 0%.
13. Hospital beds	<ul style="list-style-type: none">Fiscal duty on the importation of hospital beds will be reduced from 5% to 0%.
14. Hydrogen peroxide	<ul style="list-style-type: none">Fiscal duty on the importation of hydrogen peroxide in bulk will be reduced from 5% to 0%.Fiscal duty on the importation of hydrogen peroxide presented as a medicament (put up for internal or external use as a medicine including as an antiseptic for the skin) will be reduced from 15% to 0%.Fiscal duty on the importation of hydrogen peroxide put up in disinfectant preparations for cleaning surfaces will be reduced from 5% to 0%.
15. Paper bed sheets	<ul style="list-style-type: none">Fiscal duty on the importation of paper bed sheets will be reduced from 32% to 0%.
16. Thermometers	<ul style="list-style-type: none">Fiscal duty on the importation of thermometers will be reduced from 5% to 0%.
17. Air Purifier	<ul style="list-style-type: none">Fiscal duty on the importation of air purifier will be reduced from 5% to 0%.
18. Boots (specifically used in medical environment)	<ul style="list-style-type: none">Fiscal duty on the importation of boots (specifically used for medical environment) will be reduced from 32% to 0%.
19. Fuel	<ul style="list-style-type: none">Fiscal duty on the importation of Diesel (HS: 2710.12.31, 2710.12.32, 2710.20.31, 2710.20.32) will increase by 20 cents per litre.Fiscal duty on the importation of Petrol (Benzene) (HS: 2710.12.11, 2710.12.12, 2710.12.19, 2710.20.11, 2710.20.12, 2710.20.19) will increase by 20 cents per litre.



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Import Excise Duty

Policy	Description
1. Ethanol for companies involved in the production of hand sanitizers	<ul style="list-style-type: none">Import excise on ethanol (undenatured 80% or more ethyl alcohol) will be reduced from 15% to 0%.Import excise on ethanol (undenatured 75% or more ethyl alcohol) will be reduced from 15% to 0%.
2. Boots (specifically used in medical environment)	<ul style="list-style-type: none">Import Excise on the importation of boots (specifically used for medical environment) will be reduced from 10% to 0%.

Customs Legislation

Policy	Description
1. Bonded Warehouse	<ul style="list-style-type: none">The warehousing period will be extended to 12-months with extension provision introduced. Section 52 of the Act will be amended.



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DISCLAIMER

The contents of this publication have been extracted from the Budget Address and Budget Estimates provided to us by the Ministry of Economy. Accordingly, whilst every care has been taken in the preparation of the publication no responsibility is accepted for persons acting on this information without prior consultation.

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