

2005 Budget Brief

5 November 2004



Hon. Ratu Jone Y. Kubuabola
*Minister for Finance &
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The Honorable Minister for Finance and National Planning, Honorable Ratu Jone Y. Kubuabola, presented the National Budget today.

This resume provides a brief outline of the major aspects of the Government's Budget for the year 2005 and is based upon a quick analysis of the Budget.

The theme of the 2005 Budget is “*Growing a Sustainable Economy for our Future*” by promoting and ensuring sustainable growth and investment with benefits accruing to all sections of the community. Through a combination of fiscal and policy initiatives, the Government has sought to foster investment and economic development.

The Minister acknowledged that whilst recognising that many challenges remain, there is a growing sense of optimism about the future and the Government is firmly committed to achieving a vision of “*Peaceful and Prosperous Fiji*”.

As this is a general guide, we recommend that you seek professional advice before taking action on specific topics. We emphasise that the full impact of the Budget will be known after a detailed analysis of the Budget and our firm will issue further reports based upon such analysis.

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

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Before readers take any action, we recommend that specific questions on subjects covered in this publication be directed to your financial, tax and legal advisers. We accept no responsibility for any errors this publication may contain, whether caused by negligence or otherwise, or for any losses, however caused, sustained by any person that relies on it. The advisers listed above will be pleased to provide you with further information.

OVERVIEW

Minister of Finance and National Planning, Honorable Ratu Jone Y Kubuabola presented the 2005 Budget with the theme of “*Growing a Sustainable Economy for our Future*”.

Honorable Minister stated that the Government together with private sector and civil societies adopted a vision of “*Peaceful and Prosperous Fiji*” in the Strategic Development Plan 2003 – 2005, and the Government is firmly committed to achieving this vision.

Building prosperity will require strong economic fundamental, and the need for stability in Government finances, through prudent fiscal and monetary policies. It is imperative that the Government reins in its deficit level to allow the private sector to use more of the nation’s resources in productive areas that create more wealth.

Honorable Minister acknowledged that Fiji faces daunting challenges both on the domestic and external fronts. The economic forecast for the next two years are also lower than earlier estimates. Economic growth in 2005 is now estimated at 1.5% down from 4.2%, and 0.7% in 2006, down from 2.9%. These revisions are mainly due to the effects of the expiry of quota access of garments to the United States. As a result, Fiji’s exports of garments to this market may be reduced to 30% in 2005 and may completely disappear in 2006.

Recent economic performance has been supported by strong consumer spending and this is being reflected in the rise of commercial bank credit and a higher import bill. Domestic exports have been declining leading to the widening of the current account in the balance of payments, despite the rise in tourist receipts and remittances from abroad. Under these conditions, Reserve Bank of Fiji gave a clear signal earlier this year that it will tighten monetary policy to dampen domestic demand.

To achieve “Growing a Sustainable Economy for our Future” the Minister stated that the Government will now stress on sustainability and introduce policies and measures which will provide the platform for future growth and investment. The Minister stated that:

- On the fiscal side, the Government will be reducing Government deficit. This will slow down the build up of debt and also help reduce domestic demand.
- Monetary policy will continue to focus on maintaining healthy level of reserves and low inflation.
- On the monetary policy front, the Reserve Bank will continue to execute appropriate monetary policy to suit prevailing economic conditions and also to ensure the sustainability of growth in Fiji.

Quote - *“There is nothing that can stand in the way of realising our dream of a Fiji enriched by its ethnic and cultural diversity but united as a people and country.”*

Former President and Turaga Na Tui Nayau Ratu Sir Kamisese Mara

Economic Outlook

Key indicators of economic outlook are summarised below:

	2001	2002	2003	2004 Forecast	2005 Estimate
Gross domestic product – million dollars	\$3,764	\$3,961	\$4,251	\$4,553	\$4,774
GDP Growth	2.7%	4.3%	3.0%	3.8%	1.7%
Expenditure – million dollar	\$1,133	\$1,261	\$1,322	\$1,364	\$1,425
Revenue –million dollar	\$901	\$1,038	\$1,067	\$1,144	\$1,257
Net budget deficit – million dollars	\$232	\$223	\$255	\$220	\$167
Net budget deficit as a % of GDP	6%	5.6%	5.9%	4.8%	3.5%
Foreign exchange reserve – million dollars	\$846	\$741	\$754	\$730	n/a
Import cover – months	4.3	3.5	3.7	3.2	n/a
Inflation – estimates	2.3%	2.5%	4.2%	3.5%	3.0%
Visitors' arrival – numbers	348,000	397,000	431,000	445,000	472,000
Government debt level – million dollars	\$1,680	\$1,892	\$2,137	\$2,446	n/a
Government debt level as % to GDP	44.7%	47.7%	50.3%	53.7%	n/a
Sugar production – tones	310,000	317,000	307,000	307,000	303,000
Garment exports – million dollars	\$314	\$245	\$253	\$257	\$218
Total exports – million dollars	-	\$1,195	\$1,273	\$1,189	\$1,193
Total imports – million dollars	-	\$1,953	\$2,214	\$2,073	\$2,139

Medium Term Macroeconomic Targets

The medium term macroeconomic targets of the Government are:

	Targets
Economic Growth	5% per year
Poverty Reduction	5% per year
Inflation	2% - 3% per year on average over a 5 year period
Foreign Exchange Reserves	4 - 5 months of import cover
Government Deficit	Less than 3% of GDP by 2007
Government Debt	Less than 40% of GDP by 2007
Investment	Above 25% of GDP

Government's Fiscal Targets

Government's fiscal targets in the medium term are:

	2004 Revised	2005 Budget	2006 Forecast	2007 Forecast
Government Savings as % of GDP	0.1	0.7	1.0	2.0
Net Deficit as % of GDP	4.8%	3.5%	3.0%	3.0%
Debt as % of GDP	53.7	54.7	55.1	54.9
Operating / Capital Expenditure Mix	82 : 18	82 : 18	80 : 20	75 : 25

Direct Taxation Measures

- The tax threshold for resident individuals has been increased from the existing \$7,500 to \$8,840.
- The top marginal income tax rate for resident individuals and non-resident individuals has been maintained at 31% for income above \$20,000.
- Threshold for cash donations to charitable organizations increased from existing \$50,000 to \$100,000.
- Short Life Investment Package (SLIP) to be extended up to 31 December 2008.
- SLIP concessions to be extended to accommodate Villa Developers.
- The Employment Taxation Scheme, which allows 150% tax deductions for first time employees, will be further extended up to 2008.
- 40% Investment Allowance for rural manufacturing industries, information technology business, agricultural, forestry or marine resources business, will be extended up to year 2008.
- The review of fringe benefit tax will be undertaken during 2005.
- The scope of DPO to be extended to other legislations such as Gambling Turnover Tax (GTT) Decree and VAT Decree, and also to be extended to authorized officers and directors of companies indebted to tax.
- Provisions will be introduced to exclude legal privilege in the pursuance of tax matters and tax recoveries by FIRCA.
- Provisions will be introduced to allow exchange of information by Inland Revenue with other law enforcement agencies.
- Directors of private controlled companies will be held responsible for tax debt of such controlled companies.
- Amendments to the Income Tax Act will be introduced to treat transfer of property by private companies to its shareholders and associates as dividends.
- Provisions will be introduced in the Income Tax Act to grant powers to make additional assessments.

Indirect Taxation Measures

- First Dwelling house VAT refund threshold increased from the existing \$50,000 to \$90,000.
- Introduction of Departure Prohibition Order in VAT Decree.
- Duty free concession on machinery will be extended for a further twelve months.
- Specific rates for second-hand motor vehicles increased by \$500.

Others

- **Foreign Reserves**
 - Foreign reserves end of 2004 are forecast to remain at level of around \$730 million, equivalent to 3.2 months of imports of goods. For the medium terms, foreign reserves are expected to remain adequate.
- **Sale of Government Equities**
 - For 2005, \$40 million has been forecast from sale of shares of Fiji Television Limited and Colonial National Bank, and will partially divest its shares in Amalgamated Telecom Holdings Ltd.
- **Studio City**
 - Government supports the speedy development of the Studio City in Yaqara which will further boost audio visual production capabilities.
- **Information Communication Technology**
 - Provision of \$4 million for an E-Government programme to enhance efficiency within the Public Service.
- **Financial Reform Programme**
 - New financial management information system to provide better control of public spending and facilitate the recording of assets in the move towards accrual accounting.

Quote - *An economist's guess is likely to be as good as anyone else's.*
Will Rogers

GOVERNMENT POLICY AND STRATEGY

With the theme of “Growing a Sustainable Economy for our Future”, the Government will continue to implement structural reform measures to promote economy wide competition and efficiency gains and focus on improving the performance of key sectors of the economy and at the same time diversify product base.

The Government policies, strategies and initiatives are summarized below:

Monetary Policy

In 2005, monetary policy will be geared towards achieving low inflation, low interest rate environment and maintaining adequate levels of foreign exchange.

- The Reserve Bank will continue to execute appropriate monetary policy to suit prevailing economic conditions and also to ensure the sustainability of growth in Fiji.
- Movements in interest rates will be closely monitored by the Reserve Bank and the appropriate monetary policy stance will be taken to safeguard the long-term sustainability of economic growth.

Fiscal Policy

Honorable Minister stated that the Government will pursue structural reforms to achieve sustainable growth. Key underlying principles of Government’s fiscal policy are low or minimal net deficit levels and gradual reduction in the level of debt. The fiscal policy measures will include:

- Reforms will focus on reducing wastage of taxpayers’ fund.
- Improving service delivery in areas such as health, education, housing, water, sanitation and electricity.
- Further developed infrastructure including roads, bridges, jetties and airports.

Revenue Policy

- Government will continue to strengthen compliance and broaden its revenue base to meet its revenue targets and thereby fund its social and economic expenditure programmes.
- Government also recognizes that maintaining the integrity of the VAT system, and encouraging a simple, transparent, equitable and non-distortional taxation regime are important for stimulating investment and ensuring economic growth.
- Revenue receipts through fees, fines and charges comprise a modest part of total Government revenue. It will be continually reviewed in order to better align these fees, fines and charges to the cost of providing these services.

Expenditure Policy

- Government's expenditure policy will support macroeconomic growth and ensure the redistribution of income is geared to achieve its social and economic objectives.
- Government's targeted operating – capital expenditure mix in the Strategic Development Plan, of 70 : 30.
- Government will continue to monitor Ministries and Departments expenditure level, and ensure that they are within their budgeted allocation.

Public Sector Reform

On Public Sector Reform programmes, Minister announced that:

- On Civil Service Reforms, Government's efforts will focus on improving productivity and the quality of service delivery. To achieve this, the Government will work in partnership with the public sector unions to bring about necessary changes.
- Salaries and wages of the Public Service now stands at around 11% of GDP, compared with around 6% to 8% of GDP in other countries. The Government is also facing difficulties meeting its operating /capital expenditure mix target of 70% and 30%. Government is therefore committed to reducing its operating expenditure. In particular, reducing the salaries and wages bill to 9% of GDP in the medium term.
- Government confirms that any annual salary increase will be strictly based on performance and productivity, in accordance with the principles of the Performance Management System.

Public Enterprise Reform

- Water and Sewerage Department and the Department of Roads, are currently undergoing internal reorganization to improve efficiency.
- A single port management company has been incorporated and is expected to be fully operational in 2005.

Financial Management Information System

- A new Financial Management Information System in early 2005 will provide better control of public spending and facilitate the recording of assets in the move towards accrual accounting.

Sugar and Agriculture Industry

The Minister announced that the Government is determined to ensure the viability of the sugar industry, which sustains the livelihoods of a significant number of our rural people.

- A three year reform programme for the sugar industry, based largely on the recommendations of the Indian Government sponsored Technical and Finance Mission study, has been collectively endorsed by Parliament and key industry stakeholders.
- To fund the agreed recommendations, Government has guaranteed a concessionary loan from the Government of India and has also secured technical assistance to oversee the implementation of the reform process.

Sugar and Agriculture Industry (Cont'd)

- Government, with the assistance of Asian Development Bank, has been exploring options for other rural livelihoods and will next year put in place measures for implementation.

Financial Sector

- Government will develop a special legislation for the supervision of superannuation in 2005.
- The International Labour Organization has recently completed an actuarial study of the Fiji National Provident Fund. Based on the findings of this study, Minister assured that the FNPF is financially strong and that their funds are safe and secure.
- Government will also amend the FNPF Act to give the Fund more flexibility in its investment choices and as a result increase its return to members.
- Government is currently evaluating the deregulation of the superannuation industry with the assistance of the Asian Development Bank.
- The Fiji Development Bank will continue with recognizing its operations with a view of improving its core functions and to diversify its portfolio into commercial lending.

Exports

- The Reserve Bank is examining several ways to help promote exports. The Export Finance Facility that is offered through the commercial banks is being assessed to enhance its attractiveness to small exporters.
- The need for an Export Guarantee Scheme is currently being explored.

Capital Market Development

- To further support capital market development, Government will sell its shares in Fiji Television Limited and Colonial National Bank, and will partially divest its shares in Amalgamated Telecom Holdings Limited.
- Government is increasing its funding to the Capital Markets Development Authority and the South Pacific Stock Exchange.

Investments

- To facilitate foreign investment, Government has introduced a new approval process for all aspects of investment applications. This new system will ensure that all relevant agencies in the approval process swiftly carry out their necessary functions required to register potential foreign investors.
- Fiji Investment Corporation in partnership with the private sector, will seek opportunities to invest in industries, such as manufacturing and tourism.
- Government supports the speedy development of the Studio City in Yaqara which will further boost audio visual production capabilities.

Information Communication Technology

The Minister announced that the Government recognizes the potential of the Information Communication Technology (ICT) sector to contribute to growth, investment and employment.

- Government, through the IT Advisory Council has designed a focused policy framework to encourage, facilitate and support development of the ICT industry. To spearhead this initiative, Government has set aside \$400,000 to establish a dedicated agency, e-Fiji, aimed at implementing targeted policies to accelerate growth of the ICT industry.
- Government will support private sector partners in establishing a Telebusiness Park. Minister acknowledged that competitive telecommunication rates and skills development are essential for the growth of the ICT industry.
- Minister announced a provision of \$4 million for an E-Government programme to enhance efficiency within the Public Service.

Quote - *Seven sins of life:
Politics without principle. Commerce without morality. Wealth without work. Education without character. Science without humanity. Pleasure without conscience. Worship without sacrifice.*

Anonymous

DIRECT TAXATION MEASURES

The Government will continue to optimize revenue collections through improved compliance, broadening the tax base and encouraging investment.

Direct taxation measures announced for 2005, together with some proposed measures to simplify the tax systems, are as follows:

Tax Threshold and Income Tax Rates

The tax threshold for resident individuals has been increased from the existing \$7,500 to \$8,840.

The top marginal income tax rate for resident individuals and non-resident individuals have been maintained at 31% for income above \$20,000.

Corporate tax rate for resident companies and non-resident companies, other than mutual insurance companies and non-resident shipping companies, will also be maintained at current rate of 31%.

Donations - Threshold Increased and Others

Threshold for cash donations to charitable organizations increased from existing \$50,000 to \$100,000.

150% income tax deductions for donations to Fiji heritage foundation.

Amendments to the Hotel Aids Act

- Short Life Investment Package (SLIP) to be extended up to 31 December 2008.
- SLIP concessions to be extended to accommodate Villa Developers.
- International Retiree Facilities to enjoy 55% Investment Allowance.

Employment Taxation Scheme

The Employment Taxation Scheme, which allows 150% tax deduction for first time employees, will be further extended up to 2008.

150% Tax Deduction for Rural Banking Capital Expenditure

Tax deduction of 150% will be allowed for direct expenditure incurred by commercial banks in their individual rural banking programmes.

Dividend from Fijian Holdings Unit Trust and Colonial Unit Trust

To encourage distribution of wealth amongst local residents, dividends from Fijian Holdings Unit Trust and Colonial Unit Trust will be exempt from tax.

Tax Exemption for Fiji Institute of Directors

Tax exemption status will be provided to Fiji Institute of Directors, a non-profit organization on the undertaking that the Institute will not partake in any trading activity.

Investment Allowance

40% Investment Allowance for rural manufacturing industries, information technology business, agricultural, forestry or marine resources business, will be extended up to year 2008.

Property Improvements under Lease Agreements

Amendments to the provisions in the Income Tax Act relating to expenditure incurred pursuant to an obligation to effect improvements to the leased property will be introduced to simplify the provisions, avoid ambiguity and align provisions relating to lease income and lease expenses.

Employment Benefits

The review of fringe benefit tax will be undertaken during 2005.

It is proposed that the review will be undertaken during 2005 to introduce the necessary amendments or new provisions to improve compliance and taxing of all employment benefits.

In the meantime, it is expected that the current guidelines to determine the value of employment benefits will be reviewed and amended, and the amended guidelines are likely to be made effective from 1 January 2005.

Transfer of Tax Liability to New Companies

Amendments to the Income Tax Act will be introduced to hold new companies liable for tax payable by old companies where the entities are under the control of substantially same shareholders. The proposed amendments will be similar to provisions in the VAT Decree.

Departure Prohibition Order (DPO)

Penalty provision to be inserted in the DPO.

The scope of DPO to be extended to other legislations such as GTT Decree and VAT Decree, and to authorized officers and directors of companies indebted to tax.

Legal Privilege

Provisions will be introduced to exclude legal privilege in the pursuance of tax matters and tax recoveries by FIRCA.

Secrecy Provisions

Provisions will be introduced to allow exchange of information by Inland Revenue with other law enforcement agencies.

Directors Liability

Directors of private controlled companies will be held responsible for tax debt of such companies.

Transfer of Property to Shareholders and Associates

Amendments to the Income Tax Act will be introduced to treat transfer of property by private companies to its shareholders and associates as dividends.

Reporting System for Real Estate Agents

Mandatory annual reporting system will be introduced to improve compliance. It is expected that the system will require reporting of clients gross rent collected, payment of expenses on behalf of clients, and amount disbursed to clients.

Deregistration of Companies

Deregistration of companies will require approval and certification by FIRCA.

Advance Assessments

Advance assessments provisions to be introduced to allow tax assessments in advance and improve compliance.

Additional Assessments

Provisions will be introduced in the Income Tax Act to grant powers to make additional assessments.

Powers to Allow Retention of Confiscated Documents

Amendment to Section 50 of the Income Tax Act will be made to allow for retention of confiscated documents.

Notification of Taxpayers

It is proposed to introduce necessary provisions to ensure reporting by agents or principals or employers regarding arrival, departure and other relevant information pertaining to certain non-residents deriving income in Fiji with an aim of improving better tax compliance.

Set-off of Excess Tax

Amendments to the Income Tax Act will be introduced for the set-off of tax paid in excess against additional tax where an assessment is re-opened.

Refunds Withheld Where Requested Information Not Provided

Amendments to the Income Tax Act will be introduced for holding refunds where a taxpayer does not comply with the request of additional information, documents, etc.

Review of Investment Package

It is proposed that review of 2001 Investment Package will be undertaken to target specific industries such as Information Communication Technology.

Introduction of New Regime for Small and Medium Taxpayers

FIRCA is committed to implement a regime that caters for small and medium business to bring about simplicity and ease of administration. The details of legislative framework, threshold requirements, etc are currently being reviewed.

Elderly Dependents Allowance

Provisions will be introduced for \$200 allowance each for two elderly dependents over 70 years age or medically incapacitated. Any dependent deriving income will not be entitled for the \$200 allowance.

Provisional Tax

- The threshold for Provisional Tax payments has been increased from the existing \$200 to \$300.
- Due dates for Provisional Tax payment will be aligned with PAYE and VAT.

Withholding Tax Exemptions

Interest withholding tax exemption will be granted to loans under Cotonou Agreements.

Contractual Provisional Tax Notice inserted in Income Tax Act

Provisions in the legal notice relating to Contractual Provisional Tax are now to be inserted in the Income Tax Act to avoid ambiguity.

Distress of Goods

Provisions to be introduced to extend the scope of current provisions to reflect the distress of goods by the temporary closure of business.

Quote - The Taxation Department must love poor people – it creates so many of them.

W.G.P

INDIRECT TAXATION MEASURES

Indirect taxation measures announced today are summarised as follows:

Value Added Tax (VAT)

- First Dwelling house VAT refund threshold increased from the existing \$50,000 to \$90,000.
- Introduction of Departure Prohibition Order in VAT Decree.

Specific Fiscal and Excise Duty Measures

Specific Fiscal and Excise Duty measures which are effective immediately are:

- Excise rates on cigarettes and spirits increased by 4 per cent.
- Fiscal duty rates on cigarettes and spirits increased by 4 per cent.
- Oil, air and fuel filters exempted from fiscal duty.
- Duty free concession on machinery will be extended for a further twelve months.
- Specific rates for second-hand motor vehicles increased by \$500.

Further summary on Customs and Excise Measures are set out later in this brief.

Quote - We must all find a common path towards unity, a unity that transcends race and religion and recognises that we are all sons and daughters of Fiji.

Former President and Turaga Tui Nayau Ratu Sir Kamisese Mara

EXCHANGE CONTROL RELAXATIONS

The Minister announced that the Reserve Bank of Fiji has introduced further relaxation for the year 2005.

The relaxation of exchange controls include:

- Increase in delegated limits to commercial banks and authorized dealers of capital transactions;
- Increase in delegated limits for cashflows;
- Delegation of foreign currency borrower to commercial banks.

Details relating to relaxations by Reserve Bank of Fiji are summarized as follows:

A) Foreign Exchange Transactions – Payments / Remittances

Category	Maximum Delegation Limits	
	2004	2005
Emigrant Transfer	\$150,000 per family/single applicant per annum	\$200,000 per family/single applicant per annum
Repatriation of Profits - Dividends and Profits	\$150,000 per business entity per annum	\$500,000 per business entity per annum
Withdrawal of Investment/Capital by Non-residents	\$150,000 per business entity per annum	\$500,000 per business entity per annum
Foreign Currency Loan		
a) Repayment	\$150,000 per amount due for scheduled payments	\$500,000 per amount due for scheduled payments
b) Prepayment	\$150,000 per loan balance	\$500,000 per loan balance

B) Other Facilities

Maximum Delegation Limits		
Category	2004	2005
Offshore Borrowing	\$2 million per borrower	F\$5 million per borrower
Foreign Currency Loans by local banks	\$2 million per borrower	F\$5 million per borrower
Investments into Fiji by Foreign Investors		
a) Foreign investment in capital markets	\$2 million per foreign investor per annum Delegated to SPSE and its agents/ brokers	\$5 million per foreign investor per annum Delegate to SPSE and its agents/ brokers

The above amounts are maximum amounts delegated to authorized foreign exchange dealers. Requests for amounts in excess of these must be referred to the Reserve Bank of Fiji.

Furthermore, the above delegated limits are subject to various terms and conditions and documentary requirements.

Quote - The two most beautiful words in the English are "Cheque Enclosed".
Dorothy Parker

GOVERNMENT EXPENDITURE

Affirmative Actions

The major components of the affirmative actions are as follows:

- \$4 million for FDB Interest Subsidy Scheme for Fijians and Rotumans;
- \$1.4 million for Development Assistance Scheme for Fijians;
- \$1 million for FDB Subsidy Scheme for Fisheries and Forestry;
- \$1 million capital grant to Native Land Trust Board;
- \$8 million for Fijian Affairs Board Scholarship;
- \$4 million for Multi-ethnic scholarship.

Education

\$260.4 million has been allocated for education. Major provisions for primary and secondary education include:

- \$35 million to University of South Pacific;
- \$8 million to Fiji Institute of Technology;
- \$4.9 million to Fiji School of Medicine;
- \$10 million for Free Education for class 1 to 8 and Tuition Fee Assistance for forms 1 to 6;
- \$2.2 million for Compulsory Education, Remission of fees and Seventh form Scholarship and Grants Scheme;
- \$1.6 million for Public Service Commission for scholarship;
- \$1.1 million for construction of new schools;
- \$1.6 million for upgrade of facilities in Government schools;
- \$5.4 million for rural schools to improve infrastructure, staffing and tuition support.

Health

A total of \$136.8 million has been allocated for health. The major initiatives include:

- \$2.3 million for the extension of Labasa Hospital and maintenance of urban hospitals;
- \$2.4 million for upgrade of divisional and sub-divisional Hospitals;
- \$2.3 million in support of preventive health programmes including HIV/AIDS.

Infrastructure

The major allocation to this sector include:

- \$42.3 million for Water Supply projects and Sewerage Schemes;
- \$18 million for continuation of Road Upgrading Programme from Korovou to Matavatuou and Nayavu;
- \$10 million for periodic Road Maintenance which include \$5.5 million towards construction of Rewa Bridge;
- \$2 million for installation of a Weather Surveillance Radar in Vanua Levu.

Tourism

\$17 million has been allocated for Tourism Infrastructure Projects.

The major allocation to this sector include:

- \$13 million as marketing grant to the Fiji Visitor's Bureau.
- \$500,000 for eco-tourism development.
- \$3 million for water supply to Natadola.

Agriculture

Major allocations to this sector include:

- \$3.75 million for farm Improvement and Land Resettlement programmes including \$750,000 for new sugar cane farmers;
- \$2.5 million for Land Drainage and Flood Protection Programme and \$500,000 for Watershed Management Programmes.
- \$820,000 for smallholder farms for agriculture livestock production;

Marine Resources

A combination of institutional and developmental support will be provided through:

- \$500,000 for further development of aquaculture an \$200,000 in support of mariculture;
- \$500,000 for upgrading of fisheries jetty in Lami.

Forestry

Major allocations to this sector include:

- \$600,000 for completion of Timber Industry Training Centre in Nasinu;
- \$10 million for construction of Bua Integrated Port facility in Northern Division;
- \$600,000 for Fiji Pine Trust and \$200,000 for Fiji Mahogany Trust.

Law and Order

Major allocations to this sector include;

- \$59.3 million for Fiji Police Force;
- \$400,000 for upgrading of Prison quarters and institutions, \$100,000 for relocation of Suva Prison to Naboro;
- \$750,000 for upgrading of existing Courts and establishment of a Family Law Courts;
- \$150,000 for National Prosecution Services.

Rural and Outer Island Development

Major allocations to this sector include:

- \$2.5 million for Rural Water Supply Project;
- \$2 million for Rural Housing Scheme;
- \$6 million for Rural Electrification Scheme;
- \$1.5 million for Shipping Franchise Scheme and \$2.5 million for new vessel to enhance the delivery of services to maritime communities;
- \$1.5 million for construction of a new jetty in Kadavu and \$1 million for upgrading Labasa airport;
- \$600,000 for telecommunication and postal services to rural area;
- \$3 million for Self Help Scheme and \$1.6 million for Village Improvement Scheme;
- \$3 million for Divisional Development Projects and \$1.5 million for Community Development Projects;
- \$2.7 million to upgrade Farm and Cane Access Roads;
- \$2 million for Agricultural Marketing Authority and \$1.6 million for Coastal Fisheries Development.

Others

Major allocations include:

- \$117.2 million for development of country's natural resources;
- \$300,000 in support of Women's social and economic development;
- \$900,000 for Youth and Sports;
- \$2.2 million for protect and conserve national heritage which includes \$ 1 million to establish Fiji Heritage Foundation and \$1.1 million to relocate National Archives and upgrade Fiji Museum.
- \$1.4 million for National Centre for Small and Micro-Enterprises Development and \$200,000 for Small Enterprises Development;
- \$3 million for Poverty Alleviation and Social Welfare;
- \$400,000 to safeguard environment including coastal and marine ecosystems and closure and rehabilitation of Lami Rubbish Dump.

BUDGET ESTIMATES

The Government's past performance and the 2005 budget estimates are as follows:

(F\$million)	1999	2000	2001	2002	2003	2004 (Revised Estimate)	2005 (Estimate)
Budget Expenditure:							
Operating	794	819	882	949	983	1,033	1,075
Capital	173	146	187	248	245	225	240
Value-Added Tax	61	67	64	64	94	106	110
	1,028	1,032	1,133	1,261	1,322	1,364	1,425
Budget Revenue:							
General	962	897	897	958	1,067	1,144	1,218
Capital	23	14	4	16	-	-	-
Sale of Government Shares	20	-	-	64	-	-	40
	1,005	911	901	1,038	1,067	1,144	1,258
Net Budget Deficit	23	121	232	223	255	220	167
Debt Repayment – Principal	189	118	7	6	21	157	202
Gross Deficit	212	239	239	229	276	377	369
Net Deficit as a % of GDP	0.6	3.5	6	5.6	5.9	4.8	3.5

GOVERNMENT STATEMENT OF CASH FLOWS

Whole of Government's Statement of Cashflows 2001 - 2006

(F\$million)	2001 Actual	2002 Actual	2003 Actual	2004 Revised	2005 Budget	2006 Forecast
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts:						
Direct Taxes	284.38	275.07	269.34	313.42	333.10	343.81
Indirect Taxes	391.95	450.40	566.86	573.05	619.13	647.71
Fees, Fines & Charges	49.19	66.11	48.55	49.17	50.51	50.51
Grants in Aid	0.46	0.49	1.97	6.60	8.52	6.50
Interest & Dividends	42.65	55.12	34.52	33.53	31.41	28.30
Other	63.65	46.82	50.63	61.49	64.10	64.15
Total Operating Receipts	832.28	894.01	971.87	1,037.26	1,106.77	1,140.98
Payments:						
Personnel	440.67	467.72	497.86	509.11	530.49	502.44
Transfer Payments	176.00	191.86	190.04	207.74	224.47	222.14
Supplies and Consumables	130.21	149.03	143.03	138.58	145.58	144.61
Purchase of Outputs	33.65	32.28	40.76	43.60	39.11	31.10
Interest Paid	100.46	106.94	111.75	132.49	133.66	137.91
Other Operating Payments	1.01	1.17	0.07	1.52	1.52	1.52
Total Operating Payments	882.00	949.00	983.51	1,033.04	1,074.83	1,039.72
Net Cash Flows from Operating Activities	(49.72)	(55.00)	(11.64)	4.22	31.94	101.26
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipts:						
Sale of Government Equities	0.00	64.54	0.00	0.00	40.00	0.00
Repayment of Loans	4.10	16.00	0.71	0.57	0.57	0.57
Total Investing Receipts	4.10	80.54	0.71	0.57	40.57	0.57
Payments:						
Loans	15.74	9.07	1.31	1.50	1.50	1.50
Purchase of Other Financial Investments	3.50	5.11	0.00	0.00	0.00	0.00
Transfer Payments	57.03	67.82	86.13	67.51	72.65	60.72
Purchase of Physical Non-Current Assets	126.22	165.71	157.57	156.25	165.48	159.18
Total Investing Payments	202.49	247.71	245.01	225.26	239.63	221.40
Net Cash Flows from Investing Activities	(198.39)	(167.17))	(244.30)	(224.69)	(199.06)	(220.83)
NET (DEFICIT)/SURPLUS	(248.11)	(222.2)	(255.9)	(220.5)	(167.1)	(119.6)
As a % of GDP	-6.5%	-5.6%	-5.9%	-4.8%	-3.5%	-2.4%

CUSTOMS AND EXCISE MEASURES

The Customs and Excise changes with immediate effect are as summarised below:

1. Increase in excise duties on the following:

Item	Current Rate	New Rate
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or less	\$1.18 per litre	\$1.23 per litre
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or more	\$1.38 per litre	\$1.44 per litre
Portable spirit		
- not exceeding 57.12 GL	\$26.10 per litre	\$27.14 per litre
- exceeding 57.12 GL	\$45.69 per litre of alcohol	\$47.52 per litre of alcohol
Still Wine	\$1.85 per litre	\$1.92 per litre
Sparkling Wine	\$2.10 per litre	\$2.18 per litre
Other fermented beverages:		
- Still	\$1.85 per litre	\$1.92 per litre
- Sparkling	\$2.10 per litre	\$2.18 per litre
Ready to Drink Mixtures of Any Alcoholic Beverages of Any Alcoholic Strength by volume of 11.49% or less	\$0.85 per litre	\$0.88 per litre
Cigarettes from local tobacco by 3.20 cents per 10 sticks	80.20 cents	83.40 cents
Cigarettes from imported tobacco by 4.81 cents per 10 sticks	120.30 cents	125.11 cents
Manufactured tobacco containing tobacco grown outside Fiji	\$69.32 per kg	\$72.09 per kg
Manufactured tobacco containing tobacco grown in Fiji	\$40.71 per kg	\$42.34 per kg
Manufactured tobacco containing tobacco grown in foreign and tobacco grown in Fiji:		
- Foreign Portion	\$69.32 per kg	\$72.09 per kg
- Local Portion	\$40.71 per kg	\$42.34 per kg

2. Fiscal Rate Changes are summarized below:

Description	2004 Rates	2005 Rates
Beer and Stout of an alcoholic strength by volume 3% volume or less	\$1.85 per litre	\$1.92 per litre
Beer and Stout of an alcoholic strength exceeding 3% by volume	\$2.50 per litre	\$2.60 per litre
Liqueurs exceeding 11.49% but not exceeding 57.12% of volume	\$39.21 per litre	\$40.78 per litre
Liqueurs exceeding 11.49% or less by 6 cents per litre	\$1.55 per litre	\$1.61 per litre
Liqueurs exceeding 57.12%	\$68.66 per litre of alcohol	\$71.41 per litre of alcohol
Spirituous beverages exceeding 11.49GL but not exceeding 57.12% of volume	\$39.21 per litre	\$40.78 per litre
Spirituous beverages exceeding 57.12%	\$68.66 per litre of alcohol	\$71.41 per litre of alcohol
Other fermented beverage of alcoholic strength exceeding 1.15% by volume but not exceeding 6% by volume	\$2.38 per litre	\$2.48 per litre
Other fermented beverages of alcoholic strength exceeding 6% by volume	\$3.82 per litre	\$3.97 per litre
Still Wine of alcoholic strength exceeding 1.15% by volume	\$3.46 per litre	\$3.60 per litre
Sparkling Wine of alcoholic strength exceeding 1.15% by volume	\$3.90 per litre	\$4.06 per litre

2. Fiscal Changes (Cont'd)

Description	2004 Rates	2005 Rates
Alcoholic preparations of a kind used in the manufacturer of various alcoholic beverages of an alcoholic strength by volume exceeding 11.49% by volume but not exceeding 57.12% by volume	\$39.21 per litre	\$40.78 per litre
Alcoholic preparations of a kind used in the manufacture of various alcoholic beverages of an alcoholic strength by volume exceeding 57.12% by volume	\$68.66 per litre of alcohol	\$71.41 per litre of alcohol
Unmanufactured tobacco	\$56.36 per kg	\$125.11 per kg
Manufactured tobacco	\$77.44 per kg	\$79.76 per kg
Cigar, cheroots and cigarillos	\$77.44 per kg	\$80.54 per kg
Cigarettes	\$127.53 per kg or 1,000 cigarettes which ever is greater	\$132.63 per kg or 1,000 cigarettes which ever is greater

3. Other Tariff Changes

Policy	Descriptions
Chemical Pesticides	Increase fiscal duty from 3% to 27%.
Tubes used on motor vehicles	Increase fiscal duty from 15% to 27%.
Second Hand Motor Vehicles	Fiscal specific rates to be increased by \$500 per unit.
Aerial and aerial reflector of all kinds	Reduce fiscal duty from 27% to 3%.
Mosquito Destroyer Vape Mat	Reduce fiscal duty from 27% to 15%.
Oil, air and fuel filters for internal combustion engines for motor vehicle	Reduce fiscal duty from 3% to 0%.
Chocolate-coated products attract two rates of duty. Chapter 18 - 15% & 12.5% Chapter 19 - 27% & 12.5%	Create a subdivision in chapter 19 & 1905 to cater for wafers coated with chocolate.
Structures and parts of structures of iron or steel	Introduce fiscal specific rates to be 27% or \$2.50 per kg whichever is the greater.
Nylon Ropes	Introduce fiscal specific rates to be 27% or \$2.00 per kg whichever is the greater.
Passenger Allowance under Code 218 part 3 of the Customs Tariff Act	Passenger allowance is maintained at 250 sticks of cigarettes and allowance on alcohol is increased to 2.25 litres from 2 litres. Similarly, Wine and Beer allowance is increased to 4.5 per litres from 2 litres. Any combination of Beer and Wine provided the total quantity does not exceed 4.5L.
Knitted Fabric	Include tariff headings 6002, 6003, 6004, 6005, 6006 except item 6001 in Code 117 (11).
Containers and other packaging material	Concessionary rate to increase from 0-3%. Under Code 231.
Temporary Importers Under Code 228 of Customs Tariff Act	Deleting "temporary importers" and substituting with the word "Bona Fide tourist".
A private individual allowance – Code 212 Part 3 of the Customs Tariff Act	Allowance given under Code 212 (private individual) to be increased from \$200 to \$400 to re-align allowance given under Code 218 (landing passengers).