



**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 2007 and is based upon a quick analysis of the Budget.

The theme of the 2007 Budget is "*Partnership for Sustained Growth*" by strengthening partnership at all levels to realize Fiji's true potential. 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 remains, the Government is firmly committed to achieving growth.

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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#### **Disclaimer**

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 for Finance and National Planning, Honorable Ratu Jone Y Kubuabola presented the 2007 Budget with the theme of "*Partnership for Sustained Growth*".

With the theme of "Partnership for Sustained Growth", the Minister announced that the Government will strengthen partnership at all levels, with the private sector, civil society, development partners, and all communities, to realize true potential of Fiji.

The Minister acknowledged the many challenges faced including:

- The need for exports to rise to their full potential
- Preferential trade agreements are being eroded.
- Need to ensure that debt level remain sustainable.
- Investment must continue to rise.
- Reforms need to be accelerated.
- The land tenure issue must be resolved.

The Minister stated that the 2007 budget, which is the first under the new 5 year Strategic Development Plan, will set the platform for sustained growth in the future.

The Minister further stated that the strategies to achieve vision of a "*Peaceful and Prosperous Fiji*" are clearly articulated in the new Strategic Development Plan, which will guide national development agenda in the 5 years from 2007.

The Minister stated that a central objective of the Plan is to reach economic growth target of at least 5 percent per year together with:

- Investment growth target of 25 per cent of GDP by the end of the plan period.
- Accelerated reforms in areas of the civil service, Government finances and public enterprises.
- Priority on reducing poverty and rural and outer island development.
- Adequate resources of key sectors such as health, education, infrastructure and law and order.

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:

|  | 2003    | 2004    | 2005    | 2006<br>Forecast | 2007<br>Estimate |
|--|---------|---------|---------|------------------|------------------|
| Gross domestic product – million dollars | \$4,135 | \$4,473 | \$4,615 | \$4,884          | \$5,153          |
| GDP Growth – real                        | 1.0%    | 5.3%    | 0.7%    | 3.6%             | 2%               |
| Expenditure – million dollars            | \$1,322 | \$1,322 | \$1,391 | \$1,549          | \$1,711          |
| Revenue – million dollars                | \$1,067 | \$1,176 | \$1,222 | \$1,392          | \$1,606          |
| Net budget deficit – million dollars     | \$255   | \$147   | \$169   | \$157            | \$105            |
| Net budget deficit as a % of GDP         | 5.9%    | 3.2%    | 3.7%    | 3.2%             | 2.0%             |
| Import cover – months                    | 3.7     | 3.8     | 4.0     | 3.4              | n/a              |
| Inflation – estimates                    | 4.2%    | 3.3%    | 2.7%    | 3.0%             | 4.0%             |
| Visitors' arrival – numbers              | 431,000 | 498,000 | 549,000 | 576,000          | 610,000          |
| Government debt level – million dollars  | \$2,137 | \$2,283 | \$2,422 | \$2,580          | n/a              |
| Government debt level as % to GDP        | 50.3%   | 50.3%   | 53.0%   | 52.8%            | 52.1%            |
| Sugar production – thousand tonnes       | 309     | 314     | 289     | 343              | 347              |
| Sugar exports – million dollars          | \$222   | \$204   | \$217   | \$241            | \$229            |
| Garment exports – million dollars        | \$243   | \$226   | \$120   | \$83             | \$84             |
| Total exports – million dollars          | \$1,266 | \$1,200 | \$1,186 | \$1,223          | \$1,260          |
| Total imports – million dollars          | \$2,285 | \$2,501 | \$2,722 | \$3,301          | \$3,320          |

## Medium Term Macroeconomic Targets

The medium term macroeconomic targets of the Government, which are explicitly linked to the Government's Strategic Development Plan 2007 – 11, are:

|                           | Targets                                 |
|---------------------------|---|
| Economic Growth           | 5% per year                             |
| Poverty Reduction         | 5% per year                             |
| Inflation                 | Less than 3% over a 5 year period       |
| Foreign Exchange Reserves | 4 – 5 months of import cover            |
| Government Deficit        | Less than 2% of GDP in 5 years          |
| Government Debt           | Less than 45% of GDP in 5 years by 2011 |
| Investment                | Above 25% of GDP                        |

## Government's Fiscal Targets

Government's fiscal targets in the medium term are:

|                         | 2006<br>Estimate | 2007<br>Budget | 2008<br>Projected | 2009<br>Projected |
|-------------------------|------------------|----------------|-------------------|-------------------|
| GDP Growth – real       | 3.6%             | 2.0%           | 2.2%              | 2.6%              |
| Net Deficit as % of GDP | 3.2%             | 2.0%           | 1.5%              | 1.0%              |
| Debt as % of GDP        | 52.8%            | 52.1%          | 50.8%             | 49.1%             |

## Direct Taxation Measures

- The tax threshold for resident individuals has been increased from the existing \$8,840 to \$10,000.
- The benefits received by employees, through Health Care benefits and group life insurance benefits provided by the employers, will be exempt from income tax. However, this exemption will only apply to those employees earning less than \$30,000 per annum.
- Export Income Deduction will be maintained at 50% in 2007 (instead of 25%) to assist exporters of goods and services.
- Tax deduction of general entertainment expenses by company directors and executives will be reduced to 50%.
- Restrictions will be introduced for claiming of tax depreciation on passenger vehicles.
- A tax deduction of 150% will be available to taxpayers who donate not less than \$10,000 to government hospitals and health facilities for refurbishment and repair purposes.
- Fiji residents working in a regional organization based in Fiji will be subject to normal income tax.
- Tax payments will now be accepted at post offices to improve customer services and revenue collection and for ease of administration.

Full details relating to the above measures, together with other measures announced in the budget, are provided later in this budget brief.

## Indirect Taxation Measures – Valued Added Tax and Customs

- The rate for VAT will increase from 12.5% to 15% effective 1 January 2007.
- Fiscal duty on plant, machinery and equipment increased from 0% to 3%.
- The duty concession for raw materials, which was introduced in 2001 specifically for one year, will be discontinued in 2007.
- Increase in excise duty rates and fiscal duty rates for “sin goods”.
- Increase in tariff and import excise duty on number goods for protection of local industries.

Further specific details relating to import duty, import excise duty and excise duty changes, which are effective today, are provided later in this budget brief.

## Others

- Fiji Electricity Authority and other stakeholders to accelerate the development of alternative source of energy.
- The Reserve Bank will be introducing new currency notes within a month which will include a new \$100 bill.
- The Government to pursue, through the multi-party Government partnership approach and the co-operation and goodwill of all stakeholders, resolving of the land lease issues.
- Air Pacific to increase inbound flights from Christchurch, Auckland, Brisbane and Los Angeles.
- The Tourism and Hospitality Training School and Training and Productivity Authority of Fiji (TPAF) will continue to address the skilled labour requirements of the tourism industry.
- Increased 2007 budget for the physical assets amounting to \$196 million (2006 - \$166 million) including:
  - Suva/ Nausori Regional Water Supply (\$28 million)
  - Nadi/ Lautoka Regional Water Supply (\$4 million)
  - Nadi Regional Sewerage Scheme(\$6 million)
  - Momi Bay Road and Water Infrastructure (\$17.9 million)
  - Natadola Water Infrastructure (\$9.5 million)
  - Fiji E-Government (\$8.5 million)

*Quote - When I am abroad, I always make it a rule never to criticize the government of my own country. I make it up for lost time when I come home.*

*Sir Winston Churchill*

## **Monetary Policy**

The Government's strategies are directed towards raising export performance to help finance rising imports including higher oil prices. The strategies cover:

- Implementing measures and initiatives to improve foreign reserves.
- Dampening consumer demand by raising official interest rates, tightening liquidity position and lending facilities.

## **Fiscal Policy**

It has been announced by the Minister that the Government will shift the stance of fiscal policy in the next five years to reduce the budget deficit.

The Government's policy will be directed towards:

- Reducing debt as a proportion of GDP. The plan is to maintain the net deficit of not more than 2% of GDP.
- Improve balance of payments position by dampening import demand.
- Reducing Government debt to 45% on GDP or below by 2011.

## **Revenue Policy**

Government emphasis will be on achieving greater compliance and protecting the integrity of the revenue base. The specific measures and initiative announced by the Minister are:

- Fiji Islands Revenue and Customs Authority are to introduce harmonization and simplifying administrative provisions of its various legislation. The exercise is expected to be completed in mid 2007.
- Government to review and pursue updating of all double tax agreements with 7 countries to take into account the current business environment.
- Government in 2007 will be examining the establishment of a tourism refund scheme.
- Government will review various incentives in 2007 to ensure that the associated legislations are achieving their objectives.
- To improve compliance and strengthen revenue collection, the Fiji Islands Revenue and Customs Authority will vigorously pursue areas of tax avoidance and leakages.

## **Exports**

The Government's initiatives for promoting exports are:

- To create a conducive environment for the private sector to thrive in the export business.
- Strengthening the legal and regulatory framework for doing business, improving private sector access to finance, developing a highly skilled and mobile labour force, and modernizing the Registrar of Companies Office.
- Continue with reforms in the sugar industry.

## **Reforms**

The Minister announced number of initiatives and measures for the reforms in civil service, public enterprises and public financial management, and these include:

- Government is to implement the civil service reform. Strategic Development Plan aims to reduce the cost of the civil service from current 14% of GDP to 7%.
- In the area of Public Enterprise Reform, areas designated as priorities for reforms are:
  - Water and sewerage services
  - Quarantine services
  - Immigration
- Other Ministries and departments earmarked for restructure in 2007 include:
  - Agriculture
  - Government Supplies
  - Government Shipping
  - Film and TV Unit of the Ministry of Information
  - Fiji Islands Maritime Safety Administration
- Government to develop a road map for the future of Public Enterprise Reform.
- Establishment of the Telecommunications Authority of Fiji to provide the framework for opening up the telecommunication industry.
- In the area of public financial management reform, reform places emphasis on imposing more accountability on Chief Executive Officers.
- The Internal Audit division within the Ministry of Finance will be strengthened to monitor the compliance by ministries and departments to financial procedures and regulations.

## **Financial Sector**

- The Minister announced that the Financial Sector Assessment Program by the IMF and the World Bank has been completed. The report concludes that Fiji's financial system is sound and stable with suggestions for improvement. Reserve Bank is implementing the recommendation of the report.
- Deregulation of the Superannuation Industry needs to be pursued by the Government. The main objectives of this process are to promote competition, widen the choices available to contributors, improve members' returns and help in the development of the capital market.
- Reserve Bank of Fiji will be implementing a Real Time Gross Settlement System for high value transactions.
- Reserve Bank of Fiji will continue to work closely with the stakeholders in facilitating banking services to rural communities.

## **Foreign Personal Remittances**

- In 2005, remittances totalled \$311 million compared to \$43million 10 years back.
- It is now the second largest foreign exchange earner for Fiji.
- Reserve Bank of Fiji is commissioning a study on remittances to examine the sources and recipients of these funds, how these funds are used, and the sustainability of a higher level of remittances.

*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**

Direct taxation measures announced for 2007, which will become effective from 1 January 2007, are as follows:

### **Increased Income Tax Threshold**

The tax threshold for resident individuals has been increased from the existing \$8,840 to \$10,000.

The proposed new tax rates effective from 1 January 2007 are as follows:

#### **Resident Tax Payer**

| <b>Taxable income</b> | <b>Tax on this income</b>             |
|-----------------------|---------------------------------------|
| \$0 - \$10,000        | Nil                                   |
| \$10,001 - \$11,000   | 15% of excess over \$10,000           |
| \$11,001 - \$20,000   | \$150 + 25% of excess over \$11,000   |
| Over \$20,000         | \$2,400 + 31% of excess over \$20,000 |

#### **Non-Resident Tax Payer**

| <b>Taxable income</b> | <b>Tax on this income</b>              |
|-----------------------|--|
| \$0 - \$10,000        | 20% of excess over \$0                 |
| \$10,001 - \$11,000   | \$20,000 + 25% of excess over \$10,000 |
| \$11,001 - \$20,000   | \$2,250 + 30% of excess over \$11,000  |
| Over \$20,000         | \$4,950 + 31% of excess over \$20,000  |

### **Health Care Benefits and Group Life Insurance Benefits**

The benefits received by employees, through Health Care benefits and group life insurance benefits provided by the employers, will be exempt from income tax. However, this exemption will only apply to those employees earning less than \$30,000 per annum.

Health Care benefits and group life insurance benefits provided by the employers will continue to be available as a deductible expenditure for tax purposes.

### **Export Income Deduction**

Export Income Deduction will be maintained at 50% in 2007 (instead of 25%) to assist exporters of goods and services.

## **Information Communication Technology**

In support for investment and establishment of ICT industries and to ensure the promotion of ICT industries, Government will establish an ICT Economic Free Zone at Kalabu with the following incentives:

- 10 year tax holiday;
- Zero rating of VAT for sales in the local market; and
- Free fiscal duty on importation of plants and machinery.

These incentives will be made available to investor under the following criteria:

- The ICT business must be located in the Kalabu ICT Economic Free Zone;
- Business employs more than 100 employees; and
- 60% of its sales are exported.

## **Restrictions on General Entertainment Expenses**

Tax deduction of general entertainment expenses by company directors and executives will be reduced to 50%.

However, general entertainment expenses which are wholly and exclusively for the purpose of the trade or business, will be allowed as tax deductible expenses.

It is expected that FIRCA will introduce further details and guidelines in relation to this matter.

## **Restrictions on Tax Depreciation for Passenger Vehicles**

Restrictions will be introduced for claiming of tax depreciation on passenger vehicles.

It is expected that FIRCA will introduce further details and guidelines in relation to this matter.

## **Donations for Health Assistance – Incentive Deductions**

A tax deduction of 150% will be available to taxpayers who donate not less than \$10,000 to government hospitals and health facilities for refurbishment and repair purposes.

## **Electricity/Power Supply**

Individual residential taxpayers will get 100% tax deduction on installation of solar units and energy efficient customer premises equipment for renewable energy projects.

## **Taxation of Fiji Residents working in Regional Organisation**

Fiji residents working in a regional organization based in Fiji will be subject to normal income tax.

It is our understanding that the above will be subject to further negotiation with the regional bodies. Also, it is our understanding that this will not affect Fiji residents working with international agencies.

### **Payment of Tax at Post Office**

Tax payments will now be accepted at post offices to improve customer services and revenue collection and for ease of administration.

### **Rental Income Reporting System**

To improve compliance, Section 47A (Rental Income Reporting System) of the Income Tax Act will be amended to include reporting of income derived from sale of properties.

Furthermore, a penalty provision will also be inserted to take into account failure to abide with the reporting requirements.

### **Single Tax Number**

A single tax number will be established for each taxpayer across all taxes to facilitate compliance and verification checks.

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

W. G. P

Indirect taxation measures announced today are summarised as follows:

### **Increase in VAT Rate**

The rate for VAT will increase from 12.5% to 15% effective 1 January 2007.

The zero-rating of VAT will continue on the following essential food items:

- Edible oil;
- Tin fish;
- Rice;
- Flour and sharp;
- Tea;
- Powdered milk; and
- Kerosene for domestic use.

### **Exemption of VAT on Electricity Surcharge**

To cushion the impact of electricity surcharge to customers, the electricity surcharge will be exempt from VAT.

### **Hotel Turnover Tax (HTT)**

In relation to HTT:

- The due date for the payment will be extended to the last day of the month.
- A provision will be made to allow off-setting other tax type refunds against HTT liability.
- The definition of accountable person will be amended to include directors.
- 7 years record keeping requirement will be introduced.

### **Plant, Machinery and Equipment**

Fiscal duty on plant, machinery and equipment will be increased from 0% to 3%.

### **Customs Duty Concession – Section 10**

It is proposed that the duty concessions granted under Section 10 of the Customs Tariff Act will be reviewed and narrowed.

### **Duty Concessions for Raw Materials**

The duty concession for raw materials, which was introduced in 2001 specifically for one year, will be discontinued in 2007.

### **Supply Chain Security Legislation**

This initiative has been implemented to protect the export industries.

### **Restructuring of Tariff Bands**

To generate additional revenue for government and rectify anomalies, FIRCA will carry out analysis for restructuring of tariff.

### **Assistance to Taxi Industry**

100% duty concession has been extended for another 12 months on LPG cars for taxis.

### **Removal of Concession**

Code 123 in Part II of the CTA will be repealed to remove the exemption on breakfast foods.

### **Specific Import Duty and Excise Duty Measures**

Further specific details relating to import duty, import excise duty and excise duty changes, which are effective today, are provided later in this budget brief.

*Quote - In politics, if you want anything said, ask a man; if you want anything done, ask a woman*

*Margaret Thatcher*

*Quote - This nation cannot afford to be materially rich and spiritually poor.*

*John F Kennedy*

## **GOVERNMENT EXPENDITURE**

### **Education**

\$333 million has been allocated for education. Major provisions for primary and secondary education include:

- \$52 million for the University of the South Pacific, Fiji Institute of Technology and Fiji School of Medicine.
- \$16.6 million as scholarship funds to the Fijian Affairs Board, Multi-Ethnic Affairs & Public Service Commission Scholarships.
- \$11.8 million for the remission of secondary school fees.
- \$21 million for all Grant in Aid teachers who will be reclassified as established staff in 2007.

### **Health**

A total of \$155 million has been allocated for health. The major allocations include:

- \$3 million to complete construction of the new wing at the Labasa Hospital, and \$1 million for the new Ba Hospital.
- \$1.5 million to upgrade more than 30 health centers and nursing stations.
- \$9.5 million for provision for drugs and pharmaceuticals.

### **Infrastructure**

\$232 million has been allocated for public utilities and infrastructure development. The major allocations are:

- \$12 million for maintenance of the national road networks.
- \$21 million for the continuation of the third Fiji Road Upgrading program.
- \$50 million for the continuation and maintenance of regional water supply schemes.
- \$19 million for the upgrade and maintenance of sewerage systems.
- \$9.5 million for the Natadola water scheme.

### **Tourism**

The major allocations to this sector include:

- \$15 million as marketing grant to the Fiji Visitor's Bureau and \$ 2million for its operations.
- \$3.8 million for Meteorological Services.
- \$4.5 million for Civil Aviation.

## **Affirmative Action**

\$72 million is set aside for affirmative action programmes in education, land and housing, poverty alleviation, social welfare, assistance to the disabled and participation in business and industry.

## **Information Communication Technology and Audio Visual Industries**

Major allocations to this sector include:

- \$2 million for the Fiji Investment Corporation.
- \$2.5 million for the Fiji Audio Visual Commission.
- \$8.5 million for the e-Government project.

## **Resource Based Sectors**

Major allocations to this sector include:

- \$46.7 million to the Ministry of Agriculture.
- \$20 million for Fisheries and Forestry.
- \$4 million for farm improvement and land resettlement.

### **Fisheries**

Major allocations to this sector include:

- \$750,000 for the development of coastal fisheries.
- \$150,000 for upgrading of the Makogai Research Station.
- \$800,000 for aquaculture, brackish water and seaweed projects.

### **Forestry**

Major allocations to this sector include:

- \$570,000 for the National Forestry Inventory.
- \$200,000 for the Monitoring and Surveillance of Logging Operations.
- \$300,000 for the Fiji Pine Trust Extension.

### **Law and Order**

Major allocations to this sector include:

- \$77.5 million to the Police Force.
- \$86 million to the Fiji Military Forces.
- \$14 million for the Prisons Department.
- \$4 million for the Department of Public Prosecutions.

## **Small and Micro Enterprise Development**

Major allocations are:

- \$1.6 million for National Centre for Small and Micro-Enterprises Development.
- \$300,000 for small business entrepreneurs to establish eco-tourism projects.

## **Good Governance**

Major allocations are:

- \$11.5 million for the Legislature.
- \$1.6 million for the Office of the Ombudsman and Fiji Human Rights Commission.
- \$12.5 million for the Judiciary.
- \$2.8 million for the Elections Office.

## **Poverty Alleviation and Social Welfare**

Major allocations are:

- \$18 million for the Family Assistance Scheme.
- \$3 million for Poverty Alleviation Projects.
- \$3 million for Squatter Upgrading and Resettlement Programme.

## **Sports and Youth**

Major allocations include:

- \$ 500,000 for 2007 World Netball Championship.
- \$ 500,000 for Fiji Rugby Football Union.
- \$ 700,000 for the Pacific Games.

## **Environment**

Major allocations include:

- \$ 1.6 million for the operation of the Naboro landfill.
- \$ 400,000 to purchase an additional land area for the Naboro landfill.
- \$ 700,000 for construction of leachate pound aerators.

# BUDGET ESTIMATES

The Government's past performance and the 2007 budget estimates are

| (F\$ million)                    | 2001         | 2002         | 2003         | 2004         |
|----------------------------------|--------------|--------------|--------------|--------------|
| <b>Budget Expenditure:</b>       |              |              |              |              |
| Operating                        | 882          | 949          | 983          | 1,024        |
| Capital                          | 187          | 248          | 245          | 206          |
| Value-Added Tax                  | 64           | 64           | 94           | 93           |
|                                  | <u>1,133</u> | <u>1,261</u> | <u>1,322</u> | <u>1,323</u> |
| <b>Budget Revenue:</b>           |              |              |              |              |
| General                          | 897          | 958          | 1,067        | 1,175        |
| Capital                          | 4            | 16           | -            | 1            |
| Sale of Government Shares        | -            | 64           | -            | -            |
|                                  | <u>901</u>   | <u>1,038</u> | <u>1,067</u> | <u>1,176</u> |
| <b>Net Budget Deficit</b>        | <b>232</b>   | <b>223</b>   | <b>255</b>   | <b>147</b>   |
| Debt Repayment – Principal       | 7            | 6            | 126          | 157          |
| <b>Gross Deficit</b>             | <b>239</b>   | <b>229</b>   | <b>381</b>   | <b>304</b>   |
| <b>Net Deficit as a % of GDP</b> | <b>6%</b>    | <b>5.6%</b>  | <b>5.9%</b>  | <b>3.2%</b>  |

# Whole of Government's Statement of Cashflows 2003 – 2008

| (F\$million)                                    | 2003<br>Actual  | 2004<br>Actual  | 2005<br>Actual  | 2006<br>Revised |
|---|-----------------|-----------------|-----------------|-----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>     |                 |                 |                 |                 |
| <b>Receipts:</b>                                |                 |                 |                 |                 |
| Direct Taxes                                    | 269.34          | 334.61          | 352.50          | 397.22          |
| Indirect Taxes                                  | 566.86          | 605.94          | 612.48          | 680.82          |
| Fees, Fines, Charges & Penalties                | 48.55           | 52.18           | 58.15           | 57.64           |
| Grants in Aid                                   | 1.97            | 3.40            | 4.38            | 4.91            |
| Dividend from Investments                       | 34.52           | 33.65           | 37.71           | 36.82           |
| Other Revenue and Surpluses                     | 50.63           | 52.82           | 55.76           | 56.02           |
| <b>Total Operating Receipts</b>                 | <b>971.87</b>   | <b>1,082.60</b> | <b>1,120.98</b> | <b>1,233.49</b> |
| <b>Payments:</b>                                |                 |                 |                 |                 |
| Personnel                                       | 497.86          | 519.26          | 525.26          | 594.39          |
| Transfer Payments                               | 190.04          | 200.80          | 219.39          | 228.82          |
| Supplies and Consumables                        | 143.03          | 143.55          | 151.17          | 159.23          |
| Purchase of Outputs                             | 40.76           | 39.15           | 49.51           | 64.18           |
| Interest Paid                                   | 111.75          | 119.02          | 128.09          | 137.15          |
| Other Operating Payments                        | 0.07            | 2.36            | 2.68            | 3.31            |
| <b>Total Operating Payments</b>                 | <b>983.51</b>   | <b>1,024.14</b> | <b>1,076.10</b> | <b>1,187.12</b> |
| <b>Net Cash Flows from Operating Activities</b> | <b>(11.64)</b>  | <b>58.46</b>    | <b>44.88</b>    | <b>46.37</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>     |                 |                 |                 |                 |
| <b>Receipts:</b>                                |                 |                 |                 |                 |
| Sale of Government Assets                       | 0.00            | 0.24            | 0.00            | 36.00           |
| Repayment of Loans                              | 0.71            | 0.24            | 0.07            | 0.07            |
| Return of Surplus Capital from Investment       | 0.00            | 0.32            | 0.00            | 0.00            |
| <b>Total Investing Receipts</b>                 | <b>0.71</b>     | <b>0.81</b>     | <b>0.07</b>     | <b>36.07</b>    |
| <b>Payments:</b>                                |                 |                 |                 |                 |
| Loans   | 1.31            | 0.06            | 0.58            | 1.50            |
| Purchase of Other Financial Investments         | 0.00            | 0.00            | 0.00            | 0.00            |
| Transfer Payments                               | 86.13           | 61.06           | 67.88           | 71.90           |
| Purchase of Physical Non-Current Assets         | 157.57          | 144.55          | 145.04          | 166.09          |
| <b>Total Investing Payments</b>                 | <b>245.01</b>   | <b>205.66</b>   | <b>213.51</b>   | <b>239.49</b>   |
| <b>Net Cash Flows from Investing Activities</b> | <b>(244.30)</b> | <b>(204.85)</b> | <b>(213.44)</b> | <b>(203.42)</b> |
| <b>NET (DEFICIT)/SURPLUS</b>                    | <b>(255.9)</b>  | <b>(146.4)</b>  | <b>(168.6)</b>  | <b>(157.1)</b>  |
| <b>As a % of GDP</b>                            | <b>(5.9%)</b>   | <b>(3.2%)</b>   | <b>(3.7%)</b>   | <b>(3.2%)</b>   |

The Import Fiscal Duty, Import Excise Duty and Excise Duty charges are as summarised below:

### 1. Changes in Excise Rates

| Item   | 2006 F                |
|--|-----------------------|
| Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or less                      | \$1.27 per            |
| Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or more                      | \$1.48 per            |
| Portable spirit  |                       |
| - not exceeding 57.12 GL   | \$27.95 per           |
| - exceeding 57.12 GL   | \$48.95 per<br>of alc |
| Still Wine   | \$1.98 per            |
| Sparkling Wine   | \$2.25 per            |
| Other fermented beverages:   |                       |
| - Still  | \$1.98 per            |
| - Sparkling  | \$2.25 per            |
| Ready to Drink Mixtures of Any Alcoholic Beverages of Any Alcoholic Strength by volume of 11.49% or less | \$0.91 per            |
| Cigarettes from local tobacco by 3.20 cents per 10 sticks  | 85.90 c               |
| Cigarettes from imported tobacco by 4.81 cents per 10 sticks   | 128.86 c              |
| Manufactured tobacco containing tobacco grown outside Fiji   | \$74.25 pe            |
| Manufactured tobacco containing tobacco grown in Fiji  | \$43.61 pe            |
| Manufactured tobacco containing tobacco grown in foreign and tobacco grown in Fiji:                      |                       |
| - Foreign Portion  | \$74.25 pe            |
| - Local Portion  | \$43.61 pe            |
| Carbonated Drinks  | 5 cents /             |

## 2. Changes in Import Fiscal Duty

| Description   | 2006 Rates                   | 2007 Rates                   |
|---|------------------------------|------------------------------|
| Beer and Stout of an alcoholic strength by volume 3% volume or less                                     | \$1.98 per litre             | \$2.04 per litre             |
| Beer and Stout of an alcoholic strength exceeding 3% by volume  | \$2.68 per litre             | \$2.76 per litre             |
| Liqueurs exceeding 11.49% but not exceeding 57.12% of volume  | \$42.00 per litre            | \$43.26 per litre            |
| Liqueurs not exceeding 11.49% of volume   | \$1.66 per litre             | \$1.71 per litre             |
| Liqueurs exceeding 57.12%   | \$73.55 per litre of alcohol | \$75.76 per litre of alcohol |
| Spirituos beverages exceeding 11.49GL but not exceeding 57.12% of volume                                | \$42.00 per litre            | \$43.26 per litre            |
| Spirituos beverages exceeding 57.12%  | \$73.55 per litre of alcohol | \$75.76 per litre of alcohol |
| Other fermented beverage of alcoholic strength exceeding 1.15% by volume but not exceeding 6% by volume | \$2.56 per litre             | \$2.64 per litre             |
| Other fermented beverages of alcoholic strength exceeding 6% by volume                                  | \$4.09 per litre             | \$4.21 per litre             |
| Still Wine of alcoholic strength exceeding 1.15% by volume  | \$3.71 per litre             | \$3.82 per litre             |
| Sparkling Wine of alcoholic strength exceeding 1.15% by volume  | \$4.18 per litre             | \$4.31 per litre             |

## 2. Changes in Import Fiscal Duty (Cont'd)

| Description  | 2006 Rate  |
|--|--|
| Alcoholic preparations of a kind used in the manufacture of various alcoholic beverages of an alcoholic strength by volume exceeding 11.49% by volume but not exceeding 57.12% by volume | \$42.00 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                                    | \$73.55 per litre                                      |
| Unmanufactured tobacco   | \$128.86 per kg  |
| Manufactured tobacco, cigar, cheroots and cigarillos   | 82.96 per kg   |
| Cigarettes   | \$136.61 per kg of 1,000 cigarettes which ever greater |

## 3. Changes in Import Fiscal Duty for protection of Local

|  |                             |
|--|-----------------------------|
| <ul style="list-style-type: none"> <li>• P.V.C flexible tubes</li> <li>• Meat of goat, fresh, chilled or frozen</li> <li>• Cauliflower</li> <li>• Cabbage</li> <li>• Carrot</li> <li>• Peas, Beans</li> <li>• Capsicum</li> <li>• Cheese (bulk)</li> </ul>                                       | Increase import fiscal duty |
| <ul style="list-style-type: none"> <li>• Prawns frozen or not</li> <li>• Meat of swine, fresh, chilled or frozen</li> <li>• Tomatoes fresh or chilled</li> <li>• Lettuce</li> <li>• Eggs</li> <li>• Cheese (in retail package)</li> <li>• Milk cream (Bulk)</li> <li>• Yoghurt (Bulk)</li> </ul> | Increase import fiscal duty |

#### 4. Changes in Import Excise Duty

|  |  |  |
|--|--|--|
| <p><b>Goods Manufactured locally</b></p> <ul style="list-style-type: none"> <li>• Powder of preparation for making beverages;</li> <li>• Cement and Clinkers;</li> <li>• Steel mesh and fencing wires;</li> <li>• Electronic accumulators;</li> <li>• Electric cables;</li> <li>• Furniture;</li> <li>• Mattress;</li> <li>• Aluminium kitchenware (pots);</li> <li>• Footwear;</li> <li>• Water;</li> <li>• Carbonated drinks;</li> <li>• Steel pipes and tubes;</li> <li>• Sawn timber.</li> </ul> | Increase in import excise duty from 5% to 10%  |  |
| <p><b>White Goods</b></p> <ul style="list-style-type: none"> <li>• Washing machine;</li> <li>• Television;</li> <li>• Microwave;</li> <li>• Vacuum Cleaner;</li> <li>• Hair Dryer;</li> <li>• Coffee Maker;</li> <li>• Turn Table;</li> <li>• Tape recorders;</li> <li>• Video monitors and video projectors;</li> <li>• DVD player;</li> <li>• Video cameras and cameras – photographic</li> <li>• Air-Conditioners;</li> <li>• Fans;</li> <li>• Dishwashing machines / Dryer.</li> </ul>           | Increase in import excise duty from 5% to 10%  |  |
| <p><b>Others currently at 5%</b></p> <ul style="list-style-type: none"> <li>• Musical instruments;</li> <li>• Pianos;</li> <li>• Keyboard;</li> <li>• SPA bath;</li> <li>• Swimming pool;</li> <li>• DVD and CD – (blanks);</li> <li>• Leather goods including shoes;</li> <li>• Pool tables, roulettes and other tables for games of chance including machines for games of chance and other articles and accessories.</li> </ul>   | Increase in import excise duty from 5% to 10%  |  |
| <p><b>Sin goods</b></p> <ul style="list-style-type: none"> <li>• Tobacco Extracts;</li> <li>• Manufactured Tobacco;</li> <li>• Wines and Spirits.</li> </ul>   | Increase in import excise duty from 10% to 15% |  |
| <p><b>Motor Vehicles at 10% Import Excise</b></p> <ul style="list-style-type: none"> <li>• Used motor vehicles;</li> <li>• New Motor vehicles.</li> </ul>  | Increase in import excise duty from 10% to 15% |  |