

*PRICEWATERHOUSECOOPERS* 

# 2007 Revised Fiji Islands Budget Summary



An Overview of the Revised Fiji Islands Budget  
2<sup>nd</sup> March 2007

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Should you wish to discuss any aspect of the budget or any other matter, please contact us.

*This Fiji Budget commentary has been prepared to provide a prompt overview of the general issues raised in the 2007 Revised Fiji Budget. It does not cover exhaustively the subjects discussed. When specific issues occur in practice it may be necessary to refer to the laws and regulations and to obtain appropriate professional advice.*

*Whilst every care has been taken in the preparation of this publication, no warranty is given as to the correctness of the information it contains and no liability is accepted for any statement or opinion, nor for any error or omission.*

2 March 2007

**2007 Revised Fiji Budget**

**“Securing Economic and Financial Stability”**

Mr Mahendra Chaudhry, Minister for Finance, National Planning, Public Enterprise and Sugar Industry in the Interim Administration, today presented the Revised Budget for 2007.

The Interim Minister noted that the Budget was founded on a benchmark deficit of 2% of GDP. The growth rate is projected at negative 2.5% for 2007. In summary the revenue and expenditure projections are as follows:

	Estimates for 2006 \$m	Original estimates for 2007 \$m	Revised estimates for 2007 \$m	% increase / (reduction) on 2006 estimates
Direct taxes	397	486	431 (-11%)	9%
Indirect taxes	803	953	880 (-8%)	10%
Other	192	166	161(-3%)	-16%
<b>Total Revenue</b>	<b>1,392</b>	<b>1,605</b>	<b>1,472 (-8%)</b>	<b>6%</b>
<b>Total Expenditure</b>	<b>1,549</b>	<b>1,711</b>	<b>1,572 (-8%)</b>	<b>1%</b>

Fundamental to achieving the net deficit is realising the revised revenue projections particularly the projected VAT amount which will be challenging in light of the negative projected growth rate and the acceptance by the civil service of the 5% salary cut.

The themes of accountability, governance, responsibility, better utilisation of land resources and encouraging competition were central in his address with initiatives announced to support these. Policies focussed on the export sector and less reliance on imports. Some amendments to customs tariffs implemented under the initial 2007 budget were also announced, principally targeting luxury items.

The Interim Administration stressed its commitment to continuing with reforms to the sugar industry already underway, public enterprises and civil service reforms. The cost of maintaining the civil service at the current pay levels account for approximately 40% of expenditure. One item of note is the Interim Administration’s intention to explore the reversion of mahogany plantations to landowners.








PricewaterhouseCoopers is pleased to provide a commentary and analysis of the 2007 Revised Budget. Should you have any queries on the Revised Budget or our analysis, please do not hesitate to contact any of the partners.

*PricewaterhouseCoopers*

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## SPOTLIGHT ON THE 2007 REVISED BUDGET

### (a) Economic Indicators



	<b>2007 Revised</b>	<b>2007 Budget</b>	<b>2006 Revised</b>
 Nominal GDP	\$5,079m*	\$5,154m	\$4,884m
 Expected growth / (decline)	(2.5%)*	2.0%	3.4%
 Net budget deficit – amount	\$100.7m	\$105.3m	\$157.1m
- % of GDP	2.0%*	2.0%	3.2%
 Total government debt - amount	\$2,680m	\$2,685m	\$2,580m
- % of nominal GDP	52.8%*	52.1%	52.8%
 Inflation	3.1%	4.0%	3.5%
 Revenue from sale of interests in State Owned Enterprises	\$6m	-	\$36m
 Interest payments - amount	\$173.6m	\$163.2m	\$137.2m
- % of total operating expenditure	14.7%	13.0%	11.6%

\* Based on 2007 Revised Budget Estimates and Address




**(b) Revenue Measures**

***Income Tax and Value Added Tax***



*– refer to Appendix 2 for details*

-  Export Income Deduction to remain at 50% in 2007.
-  Information Communication Technology (ICT) - Kalabu Tax Free Zone will be declared as an ICT Zone (10 year tax holiday with effect from 1 January 2007).





***The zero-rating of VAT for sales on the local market was not reaffirmed in the Revised Budget.***

-  The income tax exemption enjoyed by Fijian Holdings Property Trust Fund will be removed.
-  The dividend exemption enjoyed by Colonial First State Income Fund, Colonial First State Income and Growth Fund and Fijian Holdings Property Trust Fund will be removed.
-  Exemption of VAT on the first \$30 of the electricity bill for residential dwellings only.


***Hotel Turnover Tax Act (HTT Act)***

-  For ease of administration to both hoteliers and FIRCA, the due date for payment to be aligned with the VAT Decree requirements (ie end of the following month).
-  Definition of accountable persons in HTT Act to be amended to include directors of companies.

















***The implications for directors and in particular “passive or nominal” directors will need to be carefully considered.***

-  Record keeping- HTT Act to include a 7 year record keeping requirement.
-  Refunds or payment of liability- \$5 refund to be ignored and not be considered for payment or refund in relation to HTT.
-  Provision for offsetting other tax refund against HTT liability - to be consistent with Income Tax Act, VAT and Gambling Turnover Tax Act.
-  Compounding Offence - Section 5(7) of HTT Act to be amended to not only cover payment of HTT but to relate to any other provision of the HTT Act.


***Customs & Tariff Act***

-  Enactment of Supply Chain Security Legislation which includes the legislative changes to reduce storage period of goods in bonded warehouse from three years to twelve months.

*Fiscal and Excise Duty*

-  Fiscal duty on used or second hand LPG powered vehicles to be licensed as taxis will be subject to fiscal duty of 27% plus 15% import excise.
-  Fiscal duty and import excise on new or used licensed mini buses carrying 7 passengers or more but not exceeding 16 passengers will reduce from 27% to 15% and from 15% to 10% respectively.
-  Reduction of Government fuel grant to \$0.10 per litre for the bus industry.
-  Fuel concession will be maintained for the fishing industry, but a 3% fiscal duty plus VAT on bait and specialised fishing equipment will apply.
-  Import excise duty on certain luxury goods will increase from 3% to 15%.
-  Fiscal duty on lamps and light fittings will increase from 3% to 15%.
-  Fiscal duty on sheep meat will increase from 3% to 15%.
-  Fiscal duty on goat meat will decrease from 27% to 15%.
-  Fiscal duty on liquid milk will decrease from 27% to 15%.
-  Fiscal duty on yoghurt and cheese in retail packs will revert from 27% to 15%.
-  Fiscal duty on cheese in bulk will revert from 27% to 3%.
-  Fiscal duty on breakfast food (Code 123) will decrease from 15% to 3%.
-  Ad voleram duty on potato chips of \$4.45 per kg will decrease to \$3.00 per kg.
-  Importation of video monitors, reception apparatus for televisions and recorded tapes and discs will be subject to import excise duty of 10%.
-  Excise duty on carbonated drinks will be removed but raw materials will be subject to fiscal duty of 3%.
-  Fiscal duty on cinematographic films will increase from 3% to 15% and import excise of 10% will be imposed. The valuation rates will increase to \$15,000 and \$20,000 for English and Hindi films respectively.

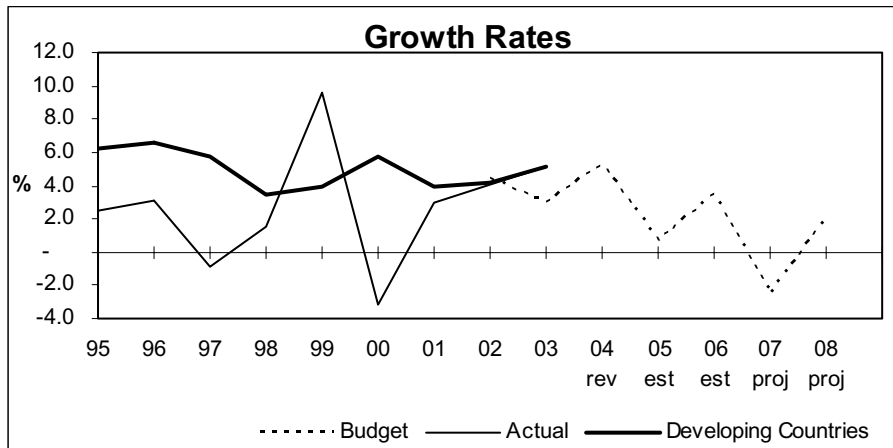
*Departure tax*

-  From 1 May 2007, the departure tax will be increased by \$10 from \$30 to \$40.

## A. STATE OF THE NATION

### 1. Growth Rate

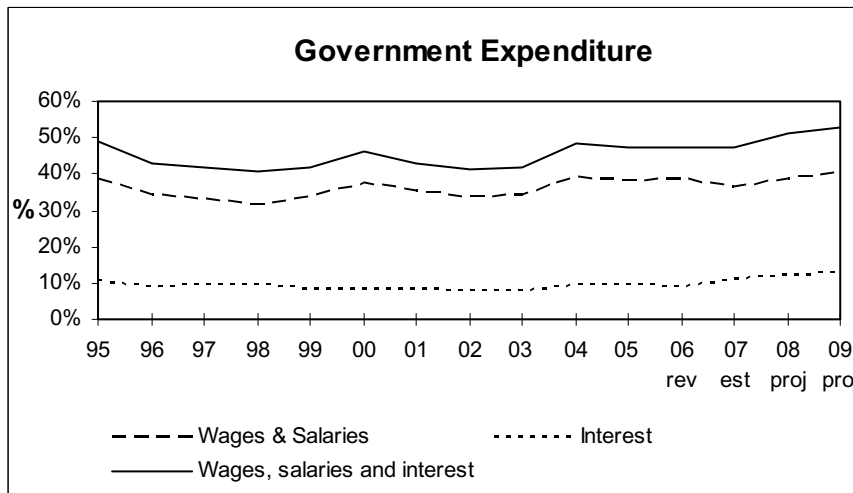
2007 = -2.5% (2006 Budget = 2 %, Revised 2006 = 3.4%)



*Sugar cane production is expected to increase from around 3 million tonnes to 4 million tonnes in the next three years. However, the maintenance of preferential prices will be critical to achieving the projected growth.*

Source : 2005-2007: 2007 Budget Address Supplement  
1994-2003 source : Reserve Bank of Fiji Press Release 18/2003

### 2. Wages, Salaries and Interest (% of Government expenditure)

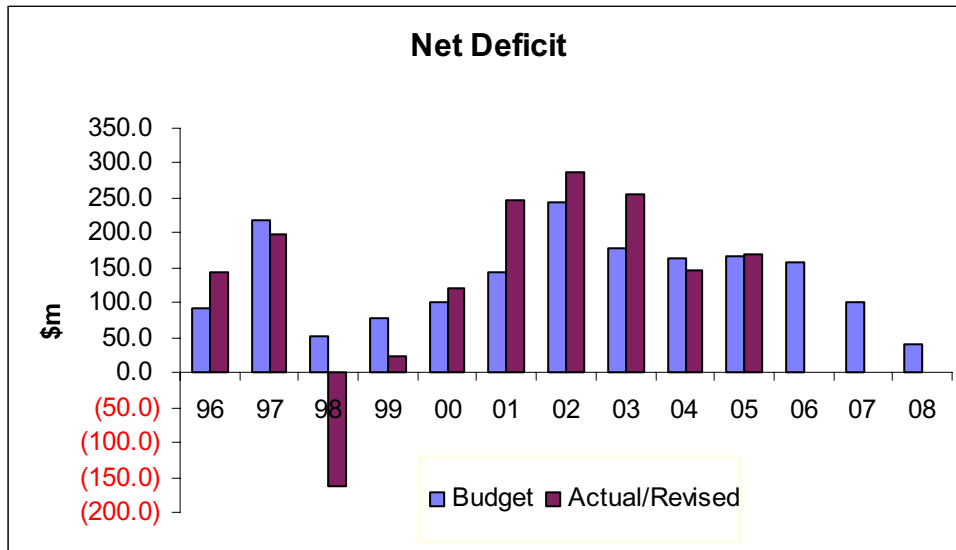


*The wages, salaries and interest component of total government expenditure is expected to remain at 47 percent for 2007.*

Source: 1994-2003 data : Reserve Bank of Fiji Quarterly Review, June 2005  
2004-2008 data : Budget Estimates 2006, 2007 Revised Budget Estimates

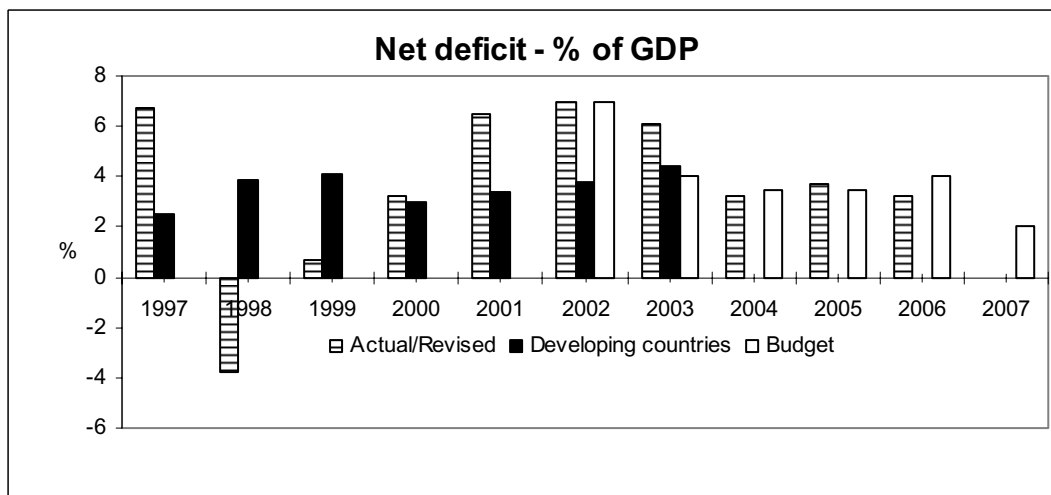
### 3. Budget Deficit

The gross deficit for 2007 is projected at \$371 million and the net deficit for 2007 is budgeted at \$100.7 million or 2 percent of GDP. In comparison, the 2006 net deficit was budgeted at \$202 million but has been revised to \$157.1 million.



*In 2007, the net deficit is projected to reduce to \$100.7 million. However, this is premised on the achievement of the challenging projected economic estimates.*

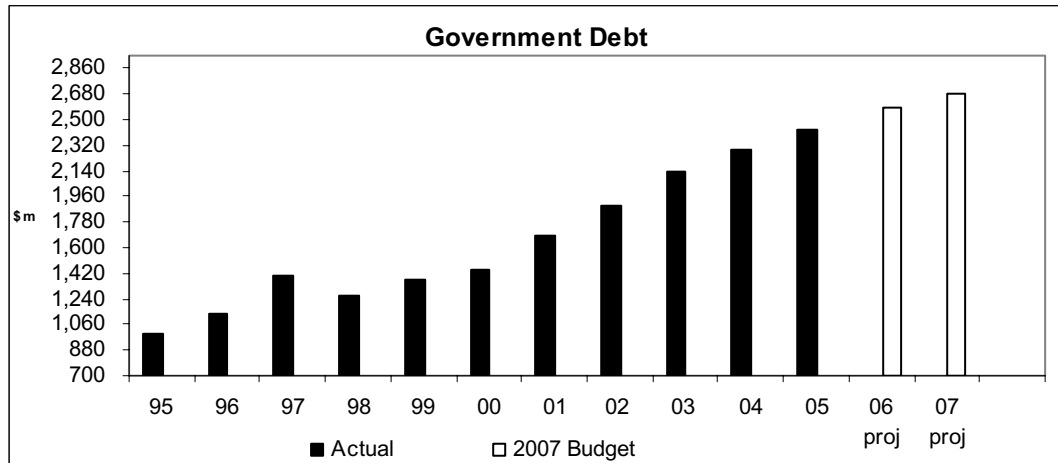
Source: 2007 Revised Budget Address



Source: 2007 Revised Budget Address

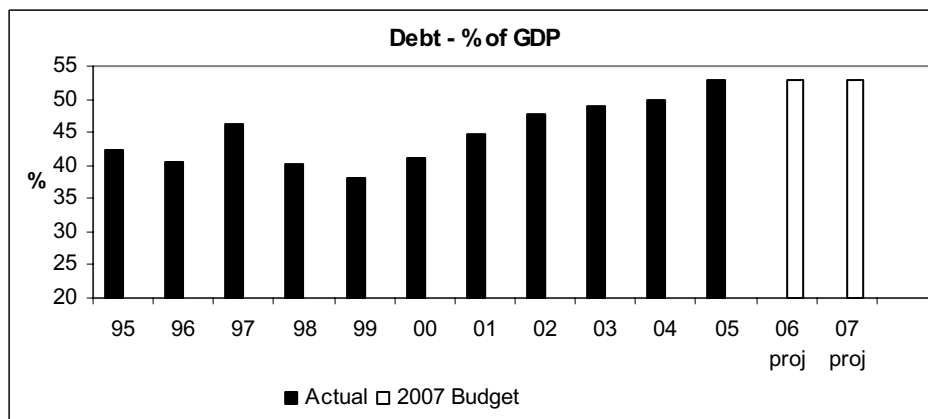
**4. Government Debt**

The government debt is expected to be \$2,680 million in 2007.



Source: 2007 Revised Budget Address

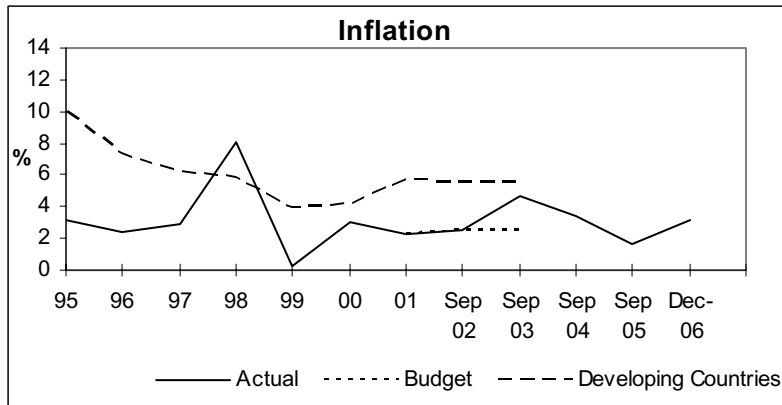
The Interim Government’s medium term fiscal strategy is to reduce the Government debt to a level of 45 percent of GDP.



Source: 2007 Revised Budget Address

5. *Inflation*

Inflation had ranged from 1.5 percent to 3.6 percent in 2006 during the first ten months of the year. As at December 2006 the inflation rate was at 3.1% and is expected to remain at this level throughout the year.



Source: 2007 Revised Budget Address  
RBF Quarterly Review December 2006

## **B. GOVERNMENT'S STRATEGIC DIRECTION**

### **1.0 FINANCIAL SYSTEM**

The Minister announced that the Reserve Bank will install an automated payment system this year which is expected to further add to the efficiency of payments between banks. He further stated that the regulation of fees and charges of financial institutions will be examined with a view to regulating the increases in these fees and their rationale in the most effective way.

The recommendation of the 1998 Financial Review Committee to establish a Financial Ombudsman will be revisited in 2007.

The Asset Management Bank which was set up to manage the non-performing assets of the National Bank of Fiji will cease operations shortly and the Reserve Bank of Fiji will be charged with managing the small amounts of assets that remain.

### **2.0 RAISING GROWTH AND REFORMS**

#### **2.1 Civil Service Reforms**

- The number of Ministries has been reduced from 23 to 16 and will be headed by 16 Permanent Secretaries rather than Chief Executive Officers.
- The Ministries and Departments are to be rationalised to facilitate a leaner structure.
- Generic functions within agencies, such as corporate services, will be centralised to remove duplication of services.
- A taskforce on change management in the public sector is to be established to drive and maintain a focus on productivity and efficiency.

#### **2.2 Public Enterprises and Privatisation**

The Government's focus in 2007 will be on enhancing the operational efficiency and financial viability of public enterprises.

The Minister stated that the Government will divest itself of its shares in these entities as it recognises that profit oriented enterprises are best operated by the private sector.

The Minister also stated that the Government will encourage more public participation in the stock market.

*The Minister however did not elaborate on how this will be done.*

Regulatory bodies will be strengthened to better monitor the operations of these enterprises. The Government will regulate unfair trade practices, anti-competitive behaviour, unfair monopoly practices and sale of substandard products.

The Minister indicated that the Government plans to dismantle monopolies and encourage new companies to enter the domestic economy, build capital stock and create employment.

### 2.3 Sugar

The Minister stated that the Government will continue with the restructure and reform of the sugar industry by focusing on the following four critical areas:

- Upgrade mill facilities with the intention of increasing mill capacity and operational efficiency.
- Improve the transportation system to the mill to reduce the cost of carting cane.
- Modernising farming methods to improve cane farming productivity.
- Diversification into value adding opportunities such as cogeneration of electricity and ethanol production.

The Minister stated that the Government will continue with its sugarcane crop rehabilitation programme through its current restructuring while it awaits EU support to the sugar industry. A cane quality based payment system is to be introduced in the current crushing season.

### 3.0 INVESTMENT

The Government indicated the following improvements in the investment approval process:

- The reorganisation of the office of the Registrar of Companies and the physical securitisation of the title records held in the Ministry of Justice.
- The rationalisation of the physical planning process currently under the various government agencies.
- The rationalisation of the property registration process.
- The streamlining and reform of the contract enforcement process to allow creditors to recover debts more efficiently and cost effectively.
- The reforms of the process for winding up bankrupt businesses efficiently in order to allow creditors to recover as much of the debts they are owed as quickly as possible to maintain adequate levels of working capital.

The Government is also looking at reducing the cost of doing business in Fiji in the following manner:

- Promulgating the Telecommunications Bill to facilitate the liberalisation of the telecommunications sector and establish the Telecommunications Authority of Fiji to regulate the sector.
- Concessions will be reviewed to ensure that there is a level playing field.

The Government will examine raising the minimum requirement of foreign exchange that foreign investors bring when setting up businesses in Fiji.

The Government will also examine the requirement that the rate of corporate taxes be linked to the retention of profits in Fiji.

### **3.1 Land Tenure**

The Minister announced that the Government will work together with the NLTB to develop an equitable framework to benefit both the land owner and the tenant farmer. The aim is to give the prospective tenant secure access to land and a fair and consistent return to the landowner.

The Government intends to create commercial agricultural subdivisions to increase the utilisation and productivity of total land resource. The Minister stated that the Government would engage and seek agreement from all stakeholders to facilitate this intention. The intention is to form a partnership project between the Government, landowners and the NLTB. \$1 million dollars has been allocated for this purpose.

### **3.2 Governance**

The Minister stated that one of the key objectives of the Interim Government is to weed out corruption by minimising opportunities to engage in such behaviour. The initiatives to be taken in this area are:

- The establishment of the new Fiji Independent Commission Against Corruption (FICAC). The FICAC will have the powers to investigate and report directly to His Excellency the President. In addition, a Special Audit Unit has been set up in the Ministry of Finance to carry out investigations on all allegations of abuse of public funds identified by the FICAC. The Special Audit Unit will be empowered to visit agencies unannounced, conduct spot checks, and prepare timely audit reports.
- Large capital projects will be regularly monitored to ensure that disbursement of funds are matched with physical progress.
- The following agencies which uphold good governance will receive support as follows:
  - \$2.9 million – Office of the Auditor General
  - \$1.4 million - Office of the Ombudsman together with the Fiji Human Rights Commission
  - \$12.1 million – the Judiciary

#### **4.0 CODE OF CONDUCT AND FREEDOM OF INFORMATION PROMULGATION**

The Minister indicated that the Attorney General's Chambers is in the process of finalizing the Code of Conduct and Freedom of Information Promulgation which would lead to accountability on the part of holders of high public office and more access by the public to Government information and processes.

The Minister stated that the formalization of the Fiji Independent Commission Against Corruption (FICAC) would be finalized with a budget of \$1.5 million in 2007. The FICAC would investigate all major corrupt practices by individuals and companies. The FICAC would be modelled primarily on the Corruption Commission in Hong Kong and to some extent the New South Wales.

The Minister also declared that a Prevention of Bribery Promulgation will be introduced in tandem with the FICAC which aims to create a level playing field for investors, enhance the administration of justice, assist in better services to the public and curtail the million of dollars of Government revenue lost through corruption.

#### **5.0 FISCAL POLICY**

The Minister stated that the plan would be to bring back the level of Government debt to around 45 percent of GDP in the medium term from the current level of 53 percent. The Government aims to achieve this by restricting the Government deficit to 2 percent of GDP in 2007 and progressively switching Government spending from operating into capital expenditure.

The Minister further stated that to realize Government's goals, the following measures would be taken:

- A five percent salary and wage cut for all civil servants which will be reviewed when strong economic growth and revenue is realized;
- The review of the Partnership Agreement with the unions;
- The deferment of the implementation of the Job Evaluation Review for the disciplinary forces;
- Freeze on all new recruitments and creation of new posts; and
- Reduced allocations to some non-priority sectors.

## **6.0 PRIORITY SECTORS**

### **6.1 Poverty Alleviation**

Government has indicated that it will channel adequate resources to income generating and livelihoods programme that will effectively lift the poor out of poverty in the short to medium term.

The Government has allocated \$19 million to poverty alleviation and family assistance grants.

In addition, the Government has indicated that it will focus on improving access to micro finance and support services by the National Center for Small and Micro Enterprises Development.

### **6.2 Law and Order**

Government has stated that it is committed to the maintenance of law and order for political stability and economic recovery.

Government has made the following allocations:

- \$80.7 million - Fiji Military Forces
- \$69.9 million - Fiji Police Force
- \$13.5 million - Fiji Prisons Service
- \$3.9 million - Director of Public Prosecution's Office
- \$300,000 - Upgrade of Key Police Stations
- \$200,000 - Purchase of Additional Police Vehicles
- \$200,000 - Upgrade of Prison Quarters and Institutions

### **6.3 Tourism**

Government has indicated that it will continue to support the recovery of the industry through funding of the Tourism Action Group and the Fiji Visitors Bureau (FVB). In addition to this, Government is actively engaged in dialogue with Australia and New Zealand through our foreign missions, for the lowering and eventual removal of travel advisories imposed against Fiji.

Government has reduced funding for FVB by \$5m from \$17m in the initial budget for 2007 to \$12m. Government will establish a fund under the Bureau whereby each dollar contributed by the taxpayers for the Bureau's marketing efforts, should be matched by a dollar contribution from the tourism industry.

*However, it is well known that the tourism industry spends significant amounts of its own funds, well in excess of FVB's budget, on promoting Fiji. It is unclear if the reduced tourism marketing budget includes the \$3.8m allocated to the Tourism Action Group (TAG). It is also unclear as to how the contribution from the tourism industry will be collected.*

In the medium term, FVB will be directed to increase its marketing efforts away from our traditional markets, looking to Asia.

#### **6.4 Rural and Regional Development**

The Government has stated that it is mindful of the particular needs of our rural communities, who do not have access to many of the services available in urban areas.

The Government has made the following allocations:

- \$2 million - Rural Water Supply
- \$6 million - Rural Electrification Programme
- \$1 million - Rural Roding Projects
- \$1.7 million - Rural Shipping Services
- \$0.5 million - Maintenance of rural airports
- \$1 million - Agriculture Marketing Authority
- \$2 million - Rural and Outer Island Development Programme

#### **6.5 Vanua Levu Development**

The Government is further committed to the development of Vanua Levu under its Northern Division Development Programme.

The Government has made the following allocations:

- \$4.4 million - Wairiki Port in Bua
- \$5 million - Northern Division Development Programme
- \$600,000 - Assistance package for displaced mine workers

## 6.6 Education

The Government has stated that education is an important investment in our people enabling continued social and economic development in our nation.

The Ministry of Education is allocated \$320.6 million. Key allocations include:

- \$38 million - University of the South Pacific
- \$10 million - Fiji Institute of Technology
- \$11.4 million - Tuition fees from Form 1 to Form 7

## 6.7 Health

The Government has stated that it intends to provide a comprehensive national health service that is of good quality, responsive to people's needs, equitable, accessible, affordable and cost effective.

The Government has allocated \$150.8 million to the Ministry of Health. Key allocations include:

- \$9.5 million - Purchase of drugs.
- \$2.9 million - Consumables
- \$1.5 million - Upgrading urban hospitals
- \$4 million - Grant to the Fiji School of Medicine
- \$1.5 million - Maintenance of health centres and nursing stations
- \$100,000 - Preparatory work on the new Ba Hospital
- \$500,000 - HIV/AIDS prevention

In addition the Government has indicated that they will encourage private health care providers to expand their services locally and improve standards. Government will also undertake an audit of medical technology and equipment which are required for specialised medical services to avoid people incurring significant medical expenses abroad.

## 6.8 Infrastructure

The Government has indicated that infrastructure and public utilities are major factors in facilitating the development and operation of all other sectors in our economy.

The following allocations have been made:

- \$87.8 million - Improve Regional Water Supplies
- \$26.6 million - Regional Sewerage Services
- \$63.8 million - Road Infrastructure
- \$1 million - Maintenance of public buildings

## 7.0 SECTORAL ALLOCATIONS

### 7.1 Small and Micro-Enterprises Development

The Government has allocated \$1.68 million towards Small and Micro –Enterprises Development.

The allocations to this area are as follows:

- \$780,000 - National Centre for Small and Micro Enterprises Development
- \$700,000 - Micro Finance Capital Grant
- \$200,000 - Business Incubation Centre

### 7.2 Agriculture

The Government has stated that agriculture is an important sector with exciting growth prospects.

The Government has allocated \$62 million to the Ministry of Agriculture.

Key allocations include:

- \$5 million - Drainage and Irrigation Division
- \$800,000 - Livestock Diversification Programme
- \$950,000 - Coconut Industry Development Authority

### **7.3 Resource Based Industries**

The Government has stated that our resource based industries present significant opportunities for improving the economic development of our rural areas and outer islands.

The Government has made the following allocations:

- \$570,000 - National Forest Inventory
- \$0.5 million - Coastal Fisheries Development

### **7.4 Women**

The Government has acknowledged the vital role of women in our society. In terms of labour force composition, women account for 40%.

An amount of \$29 million has been allocated to the Ministry for Women, Social Welfare and Housing.

### **7.5 Care for the Elderly**

The Government has acknowledged that our elderly citizens have laid the foundation for the development of our nation through their hard work, sacrifice and foresight.

The government has allocated \$5.6 million for the Aftercare fund for our war veterans.

### **7.6 Disaster Management**

The Government has recognized the need to improve the range and accuracy of weather tracking to give us advanced warning of inclement conditions.

The Government has allocated \$8 million to the National Disaster Management Office for allocation towards purchase of specialized equipment, installation of service to upgrade weather radar capabilities at the Meteorological headquarters etc.

### **7.7 Culture and Heritage**

The Government has stated that Fiji has a unique and distinct culture which should be protected for our future generations.

The Government has allocated \$1.3 million to the Department of Culture and Heritage. The National Trust will receive \$299,000.

## 7.8 Sports

Fiji is a sporting nation and sports is important to Fiji as a means of enjoying a healthy living, creating employment opportunities and promoting our nation abroad.

The following allocations have been made:

- \$400,000 - For preparation towards the 2007 Rugby World Cup.
- \$550,000 - Pacific Games.
- \$200,000 - Rural sports facilities
- \$350,000 - National Netball Team to participate at the 2007 Netball World Cup.

APPENDIX 1

BUDGET ESTIMATES AND KEY INDICATORS

	2005	2005	2006	2006	2007	2007
BUDGET ESTIMATES	Budget	Actual	Budget	Revised	Budget	Revised Budget
	\$m	\$m	\$m	\$m	\$m	\$m
Revenue	1,257.4	1,221.9	1,346.6	1,391.6	1,605.6	1,471.6
Expenditure	1,424.5	1,391.0	1,548.7	1,548.7	1,710.8	1,572.4
Net (deficit)	(167.1)	(169.1)	(202.1)	(157.1)	(105.2)	(100.7)
Loan redemption	202.8	197.8	192.4	192.4	270.6	270.3
Budget gross (deficit)	(369.9)	(366.9)	(394.5)	(349.5)	(375.6)	(371.0)

	2007 Revised Budget (\$m)	2007 Budget (\$m)	Change (\$m)	%Change
<b>TOTAL REVENUE</b>				
Direct taxes	430.6	485.9	(55.3)	(11.4)
Indirect taxes (VAT, customs, HTT)	879.8	953.4	(73.6)	(7.7)
Fees, charges, fines and penalties	70.6	61.3	9.3	15.2
Grant in aid	13.3	16.3	(3.0)	(18.4)
Reimbursements and recoveries	10.9	16.0	(5.1)	(31.9)
Other revenue and surpluses	31.4	43.8	(12.4)	(28.3)
Sale of government assets	6.0	-	6	100
Dividends from investment	28.8	28.8	-	-
Interest from bank balance	-	-	-	-
Repayment of term loans	0.2	0.1	0.1	100
Return of surplus capital from investment	-	-	-	-
	<u>1,471.6</u>	<u>1,605.6</u>	<u>(134.0)</u>	(8.3)
<b>TOTAL EXPENSES</b>				
Operating expenditure	1,178.3	1,253.7	(75.4)	(6.0)
Capital expenditure	277.4	300.0	(22.6)	(7.5)
Value Added Tax	<u>116.7</u>	<u>157.1</u>	<u>(40.4)</u>	(25.7)
	<u>1,572.4</u>	<u>1,710.8</u>	<u>(138.4)</u>	(8.1)
<b>DEBT REPAYMENTS</b>	270.3	270.6	(0.3)	(0.1)
<b>BUDGET DEFICIT</b>	(371.1)	(375.8)	(4.7)	(1.3)

## OPERATING EXPENDITURE BY DEPARTMENT

	2007 Revised Budget (\$m)	2007 Budget (\$m)	Change	% Change
<b>General administration</b>				
Office of the President	1,477.3	1,477.3	-	-
Office of the Prime Minister	4,191.8	5,338.4	1,146.6	21.5
Public Service Commission	10,828.3	10,751.3	(77.0)	(0.7)
Appeal Board *	286.3	-	(286.3)	-
Office of the Attorney General	5,789.2	4,168.7	(1,620.5)	(38.9)
Justice	1,885.3	1,750.1	(135.2)	(7.7)
Prisons	10,791.2	10,847.5	56.3	0.5
Ministry of Finance, National Planning, Public Enterprise and Sugar Industry	44,166.0	49,278.0	5,112.0	10.4
Printery and stationery *	2,525.0	2,525.0	-	-
Supplies *	3,008.5	3,008.5	-	-
Bureau of Stats	7,081.3	8,081.3	1,000.0	12.4
Information Technology and Computing services*	2,828.0	2,828.0	-	-
National Planning Office	1,060.0	1,070.0	10.0	0.9
Sugar Unit *	469.0	-	(469.0)	-
Public Enterprises	1,514.0	2,177.3	663.3	30.5
Fijian Affairs, Culture and Heritage	18,109.2	18,779.0	669.8	3.6
Provincial Development	6,406.0	6,476.0	70.0	1.1
Ministry of Home Affairs and Immigration *	-	5,288.5	5,288.5	100.0
Multi Ethnic Affairs	5,586.6	6,559.5	972.9	14.8
Department of Defence *	4,805.2	-	(4,805.2)	-
Fiji Military Forces	71,088.6	73,564.6	2,476.0	3.4
Fiji Police	61,302.3	66,168.9	4,866.6	7.4
Ministry of Labour, Industrial Relations, Tourism and Environment	11,565.1	28,801.6	17,236.5	59.8
Ministry of Foreign Affairs and External Trade	14,952.0	14,862.4	(89.6)	(0.6)
Office of the Auditor-General	2,502.8	2,630.7	127.9	4.9
Elections Office	628.9	2,674.2	2,045.3	76.5
Judiciary	10,373.4	10,454.6	81.2	0.8
Legislature	1,345.0	10,039.6	8,694.6	86.6
Office of the Ombudsman	1,365.3	1,580.5	215.2	13.6
Office of the Director of Public Prosecution	3,323.9	3,410.2	86.3	2.5
Department of Information	4,202.2	4,739.7	537.5	11.3
<b>Total General Administration</b>	<b>315,457.7</b>	<b>359,331.4</b>	<b>43,873.7</b>	
<b>Social Services</b>				
Ministry of Education	286,775.2	291,872.6	5,097.4	1.7
Ministry of Health	124,950.1	125,149.7	199.6	0.2
Ministry of Local Government, Urban Development and Public Utilities	39,491.6	3,213.4	(36,278.2)	(1,129.0)
Ministry of Women, Social Welfare and Housing	23,594.5	23,494.5	(100.0)	(0.4)
Ministry of Youth, Sports Employment Opportunities and Productivity	6,576.0	2,165.4	(4,410.6)	(203.7)
<b>Total Social Services</b>	<b>481,387.4</b>	<b>445,895.6</b>	<b>(35,491.8)</b>	
<b>Economic Services</b>				
Ministry of Agriculture, Fisheries and Forests	36,840.1	37,053.0	212.9	0.6
Ministry of Lands and Mineral Resources	37,497.7	38,385.8	888.1	2.3
Ministry of Commerce, Industry, Investment and Communications	12,748.9	11,857.6	(891.3)	(7.5)
<b>Total Economic Services</b>	<b>87,086.7</b>	<b>87,296.4</b>	<b>209.7</b>	
<b>Infrastructure</b>				
Ministry of Transport, Works and Energy	55,887.8	72,305.3	16,417.5	22.7
<b>Total Infrastructure</b>	<b>55,887.8</b>	<b>72,305.3</b>	<b>16,417.5</b>	
<b>Unallocable</b>				
Miscellaneous Services	22,911.0	84,846.2	61,935.2	73.0
Pensions, Gratuities and Compassionate Allowances	38,628.2	37,588.2	(1,040.0)	(2.8)
Charges on Account of Public Department	176,899.7	166,475.1	(10,424.6)	(6.3)
<b>Total Unallocable</b>	<b>238,438.9</b>	<b>288,909.5</b>	<b>50,470.6</b>	
<b>Total Budget</b>	<b>1,178,258.5</b>	<b>1,253,738.2</b>	<b>75,479.7</b>	

\* Not separately identified

REVENUE MEASURES

*Income Tax*

➤ **Income tax and dividend exemption**

- Income tax exemption in respect of Fijian Holdings Property Trust Fund will be removed.
- Dividend exemption in respect of Colonial First State Income Fund, Colonial First State Income and Growth Fund and Fijian Holdings Property Trust Fund will be removed.

➤ **Exports and investment**

- **Export income deduction** will remain at 50 percent in 2007.
- **New ICT Zone**

The Kalabu Tax Free Zone will be declared as an ICT Zone. Ten years tax free holiday will be available if an ICT operator is in the zone with effect from 1 January 2007.

➤ **Value Added Tax**

**Electricity / power supply**

Exemption of VAT on the first \$30 of the electricity bill for residential dwellings only.

➤ **Supply chain security**

Enactment of supply chain security legislation which includes the legislative changes to reduce storage period of goods in the bonded warehouse from three years to twelve months.

➤ **Departure tax** will be increased to \$40 with effect from 1 May 2007.

➤ **Hotel Turnover Tax amendments**

▪ **Due date for payment**

For ease of administration to both hoteliers and the FIRCA, the due date for payment to be aligned with the VAT Decree requirements.

- **Definition of accountable persons**

Definition in the Hotel Turnover Tax Act is to be amended to include directors of companies.

- **Record keeping**

The HTT Act to include 7 years record keeping requirements.

- **Refunds or payments of liability**

A \$5 refund is to be ignored and not considered for payment or refund in relation to HTT.

- **Provision for offsetting other tax refund against HTT liability**

To be consistent with Income Tax Act, VAT Decree and Gambling Turnover Tax Act.

- **Compounding offence**

Section 5(7) of the HTT Act is to be amended to not only cover payment of HTT but to relate to any other provision of the HTT Act.

**FISCAL RATE CHANGES AND EXCISE CHANGES  
(effective immediately)**

**1. TARIFF CHANGES**

<b>Policies increased from 3% to 15% fiscal duty</b>	
Lamps and lighting fittings	Platinum, palladium, rodium etc
Statuettes and ornamental articles of ceramic	Various precious metal clads
Perfumes and toilet waters	Articles of jewellery
Beauty-make-up preparation	Articles of goldsmith or silversmith wares
Hair preparations	Imitation jewellery
Pre-shave and after shave preparations	Chain mesh-handbags, purses, wallets and similar articles
Leather goods of a kind normally carried in pockets and bags	Fans
Leather golf bags	Refrigerators and freezers
Leather cases, boxes and similar containers for camera, camera lenses, binoculars etc	Dishwashing machines
Glass jewellery and ornaments	Cloth washing machines
Diamonds whether or not worked	Electro mechanical domestic appliance – vacuum cleaners, floor polishes, kitchen waste disposers, food grinders and mixers and other appliance
Precious stones and semi-precious stones, other than diamonds whether or not worked	Shavers – hair clippers, hair removing appliance
Synthetic or reconstructed precious or semi precious stones including dust and powder	Hair dryers
Silver in different forms	Hair dressing apparatus
Metals claded with gold	Hand drying apparatus
	Smoothing iron
	Microwave ovens

**Policies increased from 3% to 15% fiscal duty**

Other cookers	Tape recorders
Coffee/tea makers	Video recorders
Toasters	Television cameras
Microphones	Video cameras
Single loud speakers	Reception apparatus (radio)
Multiple loud speakers	Reception apparatus (television)
Other similar goods	Cameras
Headphones and earphones	Sunglasses
Amplifiers	Binoculars
Turntables, record players, cassette players etc	Watches

<b>Policy</b>	<b>Descriptions</b>
Meat of sheep, fresh, chilled or frozen	Increase fiscal duty from 3% to 15%
Meat of goat, fresh, chilled or frozen	Decrease fiscal duty from 27% to 15%
Liquid milk	
Yoghurt	
Cheese in retail pack	
Cheese in bulk	Decrease fiscal duty from 27% to 3%
Breakfast food code 123	Decrease fiscal duty from 15% to 3%
Patato chips	Ad voleram duty of \$4.45 per kg will be decreased to \$3.00 per kg
Video monitors	Import excise of 10%
Reception apparatus for television	
Recorded tapes and discs	

Policy	Descriptions
Cinematographic film	<ul style="list-style-type: none"> <li>• Increase fiscal duty from 3% to 15%</li> <li>• Impose import excise of 10%</li> <li>• Valuation rates increased to \$15,000 and \$20,000 for English and Hindi films respectively</li> </ul>

**2. EXCISE RATES**

Policy	Descriptions
Carbonated drinks	Removal of excise duty on carbonated drinks but 3% fiscal duty on raw materials

**3. OTHER CHANGES TO FISCAL AND IMPORT EXCISE DUTY**

Policy	Descriptions
<b>Taxi Industry</b>	Increase in fiscal duty on used or second hand motor vehicles operated on Liquefied Pressure Gas (LPG) to 27% to plus 15% import excise
<b>Mini Buses</b> New or used licenced minibuses carrying 7 passengers or more but not exceeding 16 passengers	<ul style="list-style-type: none"> <li>• Reduced fiscal duty on new or used vehicles from 27% to 15%</li> <li>• Reduced import excise on new or used vehicles from 15% to 10%</li> </ul>
<b>Bus Industry</b>	Reduction in government fuel grant to 10 cents per litre in 2007
<b>Fishing Industry</b>	Fuel concession will be maintained with an introduction of 3% fiscal duty plus VAT on bait and specialist fishing equipment.