



## 2007 REVISED FIJI NATIONAL BUDGET SYNOPSIS

The Interim Minister for Finance and National Planning, Public Enterprises and Sugar Industry Mr Mahendra Chaudhry today, 2 March 2007 presented the Government's 2007 Revised Fiji Budget with the theme "Securing Financial and Economic Stability".

A full commentary on the 2007 Revised Fiji Budget will be forwarded to you later today.

	F\$ (000)
Total estimated revenue	1,471,644
Total estimated expenditure	<u>1,572,370</u>
Estimated net deficit	100,726
Debt repayments	<u>270,320</u>
<b>Gross deficit</b>	<b><u>371,046</u></b>
Net Deficit as a percentage of GDP	2.0%
Nominal GDP	5,079,139

### **FISCAL POLICY**

#### **CIVIL SERVICE SALARY**

- A 5 percent salary and wages cut for all civil servants. The salary reduction would be reviewed when stronger economic growth and revenue is realized.

## **REVENUE MEASURES**

### **NEW DIRECT TAX MEASURES FOR 2007**

#### **INCOME TAX AND VAT**

- Export Income Deduction to remain at 50% in 2007.
- Information communication Technology (ICT)
  - The Kalabu Tax Free Zone will be declared as an ICT Zone. Ten years tax holiday will be available if an ICT operator is in the Zone.
- Electricity / Power Supply
  - Exemption of VAT on the first \$30 of the electricity bill for residential dwellings only.
- Removal of Income Tax exemption
  - To ensure the leveling of the playing field for all taxpayers, the Income Tax Exemption enjoyed by Fijian Holdings Property Trust Fund will be removed. Further, dividend exemption enjoyed by the Colonial First State Income Fund or the Colonial First State Income and Growth Fund as well as Fijian Holdings Property Trust Fund will be removed.

#### **HOTEL TURNOVER TAX ACT**

- Due date for payment of Hotel Turnover Tax
  - For ease of administration to both hoteliers and FIRCA, the due date for payment to be aligned with the VAT Decree requirements.
- Definition of accountable persons - in HTT Act to be amended to include directors of companies

- Record keeping – HTT ACT to include 7 years record keeping requirements.
- Refunds or payment of liability - \$5 dollar 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 GTT
- 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 ACT**

- 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.
- Other changes to fiscal and import excise duty include:
  - Fiscal duty on used or unused second hand motor vehicles to be licensed as taxis which will operate on Liquefied Petroleum Gas (LPG) will be increased to 27% plus 15% import excise.

## CUSTOMS TARIFF ACT

**TABLE 1: 2007 FISCAL AND IMPORT EXCISE CHANGES**

- Tariff changes are tabulated below:

POLICY	DESCRIPTIONS
Lamps and lighting	Increase fiscal duty from 3% to 15%
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>Further, the valuation rates have been increased to \$15,000 and \$20,000 for English and Hindi films respectively</li> </ul>
Statuettes and ornamental articles of ceramic	Increase fiscal duty from 3% to 15%
Luxury Items <ul style="list-style-type: none"> <li>Perfumes and toilet waters</li> <li>Beauty-make-up preparations</li> <li>Hair preparations</li> <li>Pre-shave and after shave preparations</li> <li>Leather goods of a kind normally carried in pockets and bags</li> <li>Leather golf bags</li> <li>Leather case, boxes and similar containers for camera, camera lenses, binoculars etc</li> <li>Glass jewellery and ornaments</li> <li>Diamonds whether or not worked</li> <li>Precious stones and semi-precious stones, other than diamonds whether or not worked</li> <li>Synthetic or reconstructed precious or semi precious stones</li> </ul>	Increase fiscal duty from 3% to 15%

POLICY	DESCRIPTIONS
<p>including dust and powder</p> <ul style="list-style-type: none"> <li>• Silver in different forms</li> <li>• Metals claded with gold</li> <li>• Platinum, palladium, rodium etc</li> <li>• Various precious metal clads</li> <li>• Articles of jewellery</li> <li>• Articles of goldsmith or silversmith wares</li> <li>• Imitation jewellery</li> <li>• Chain mesh- handbags, purses, wallets and similar articles</li> <li>• Fans</li> <li>• Refrigerators and freezers</li> <li>• Dishwashing machines</li> <li>• Cloth washing machines</li> <li>• Electro mechanical domestic appliance — vacuum cleaners, floor polishes, kitchen waste disposers, food grinders and mixers and other appliance</li> <li>• Shavers — Hair clippers, Hair removing appliance</li> <li>• Hair divers</li> <li>• Hair dressing apparatus</li> <li>• Hand drying apparatus</li> <li>• Smoothing irons</li> <li>• Microwave ovens</li> <li>• Other cookers</li> <li>• Coffee/Tea Makers</li> <li>• Toasters</li> <li>• Microphones</li> <li>• Single loud speakers</li> <li>• Multiple loud speakers</li> <li>• Other Similar goods</li> </ul>	

POLICY	DESCRIPTIONS
<ul style="list-style-type: none"> <li>• Headphones and earphones</li> <li>• Amplifiers</li> <li>• Turntables, record players, cassette players etc</li> <li>• Tape recorders</li> <li>• Video recorders</li> <li>• Television cameras</li> <li>• Video cameras</li> <li>• Reception apparatus (radio)</li> <li>• Reception apparatus (televisions)</li> <li>• Cameras</li> <li>• Sunglasses</li> <li>• Binoculars</li> <li>• Watches</li> </ul>	
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	Decrease fiscal duty from 27% to 15%
Yoghurt	Decrease fiscal duty from 27% to 15%
Cheese in Retail Pack	Decrease fiscal duty from 27% to 15%
Cheese in Bulk	Decrease duty fiscal duty from 27% to 3%
Breakfast food Code 123	Decrease fiscal duty from 15% to 3%
Potato Chips	Specific duty rate of \$4.45 per kg will be decreased to \$3.00 per kg
Video monitors	Import of 10%

POLICY	DESCRIPTIONS
Reception apparatus for television	Import of 10%
Recorded tapes and discs	Import of 10%

**EXCISE CHANGES:**

POLICY	DESCRIPTIONS
Carbonated Drinks	Removal of excise duty on carbonated drinks but 3% fiscal duty + VAT will be payable on raw materials

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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.*

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