



# 2022 - 2023 NATIONAL BUDGET



# INTRODUCTION

Fiji's 2022-2023 National Budget has been announced in the evening of 15<sup>th</sup> July, 2022 by the Honourable Mr Aiyaz Sayed-Khaiyum who is Attorney-General and Minister for Economy, Civil Service, Communications, Housing and Community Development.

This has been Fiji's fourth budget in the last 2 years as policies and measures had to be revisited every six months due to the massive impacts of the pandemic.

The 2022-2023 budget has been different in comparison to the past two years as the worst part of the pandemic is over and we are now looking into a brighter future of the economy.

Whilst few incentives and initiatives have been extended from past years, new ones have been announced based on the past data collected and looking at forecast for our economy.

More details of the 2022-2023 Fiji National Budget are highlighted below.



# TAX MEASURES

## ➤ Corporate tax rate

### Approved global or regional headquarters

The corporate tax rate applicable to an approved global or regional headquarters will be increased from 17% to 20%. Effective from Tax Year 2023.

### Companies listed on the SPSE

The 10% reduced rate of corporate tax available to companies listed on the SPSE will only be available for 7 years.

Companies that have enjoyed for 7 years or more will now pay the corporate tax at the rate of 20%. This will be effective from Tax Year 2023.

## ➤ Capital Gains Tax Exemption

Capital Gains exemption on gains made by a person on disposal of shares will be limited to resident persons and Fiji citizens only. This change will come into effect from 1<sup>st</sup> January 2023.

CGT will be exempted on Repurchase Agreements (Repo Transactions) administered by the Reserve Bank of Fiji.



## ➤ Tax Deductions

### Tax Deduction for Hiring of Local Artist

The 150% tax Deductions that was available to hotels and resorts that hire local artist such as craftsmen, dancers and musicians will be increased to 300%.

### Tax Deduction for Companies Sponsoring Tertiary Education

A 100% tax deduction will be available to companies sponsoring tertiary Education (including Vocational Studies).

The deduction will be available on the amount of tuition and living expenses paid for student(s) at a higher education institution specified in the Higher Education Act 2008.

The deduction on living expenses is limited to \$7,000 per calendar year and must be paid into a bank account held at a commercial trading bank under the name of the student.

### Employment Taxation Scheme

The current employment taxation scheme expires in 2023 and allows for a 300 percent tax deduction on first full-time employees, on wages paid for work placements in a related area of study up to 6 months in a year before graduation, and to students employed on a part-time basis.



## ➤ Tax Incentive Packages

### Residential Housing Development Incentive Package

A 50% developer profit exemption will be available to projects with a minimum investment level of \$5m and at least 10 residential units. Customs concession (zero duty) on the importation of capital equipment, plant and machinery. There will be no condition on the sale price.

### Electric Vehicle Charging Station Development Package

To further promote and support the use of green technologies, the Government will be expanding incentives to support the purchase of Electric Vehicles and charging stations.

Government had previously announced a 7-year tax deduction and a 5 percent subsidy for capital investments in charging infrastructure/stations for electric vehicles above \$100,000.

The subsidy has now increased to 10 percent on investments over a lower threshold of \$50,000.

### Hotel Investment Incentive

Extension of project completion time provisions will be incorporated under the Standard Allowance incentive.



# TAX ADMINISTRATION ACT

The provisions of default assessment under Section 9 of the Tax Administration Act (TAA) will be extended to allow the Chief Executive Officer (CEO) FRCS to raise an assessment on reasonable grounds of tax evasion or probable revenue risk.

TAA will be amended to allow the Tax Agents Board to refer complaints to FRCS for investigation of complaints made against Tax Agents.

Unclaimed tax refunds with FRCS for more than 5 years will be forfeited. This provision will only be applied once FRCS has utilized all mediums available to locate the taxpayer and release the refund. The forfeiture provisions will be effective from 1 January 2023.

The fees for binding rulings issued by FRCS will be increased with Easily determinable to \$300, Moderate Degree of Analysis to \$1,500, Highly Technical and Complex to \$3,000.



# VALUE ADDED TAX ACT

The disposal of residential dwellings used to provide accommodation by way of hire will be exempt from VAT irrespective of whether VAT inputs have been claimed in relation to the dwelling.

The provisions of VAT Reverse Charge will be reestablished.

## ➤ **Non-Resident Withholding Tax (NRWHT) Refunds**

As announced in the 2021-2022 National Budget, FRCS will continue to facilitate refunds for NRWHT for professional fees. However, application for refunds has to be made before 31 December 2022.



# CUSTOM MEASURES

Import Duty on used cars will be increased by \$1,000 per unit while the import duty on new cars will be increased by 5 percent.

Government will also introduce a luxury vehicle tax of \$10,000 per vehicle for vehicles above 3,000cc.

VAT and fiscal duty on all electric vehicles will now be zero-rated to allow accelerated depreciation of 100 percent. Government will also provide a \$5,000 subsidy per vehicle if a local business purchases 5 vehicles or more.

Duty on LPG will be reduced from 4 cents per kg to 2 cents per kg. The reduced duty will be applicable on LPG supplied for power generation and autogas only.

A 5-year age limit will be imposed on the importation of second-hand petrol and diesel motor vehicles.

This will be aligned to the age limit of 5 years on hybrid vehicles.

The Euro IV compliance requirement will be maintained



A transitional period will be allowed to import vehicles older than 5 years provided that the vehicle was ordered, paid for or loaded for shipment to Fiji on or before 16th July 2022 and that the shipment arrives in Fiji on or before 31st December 2022.

The government will be phasing out duty protections for Fiji Dairy in the lead-up to the expiration between the Government and Southern Cross Foods Ltd on 31st August 2022.

Duty will be reduced from 32 percent to 5 percent after expiry of the agreement on cheese, yoghurt, and liquid and powdered milk.

The Superyacht Charter Fee will be reduced from \$USD55,000 to \$USD30,000. The minimum length requirement of a Superyacht will be reduced from 24 meters to 18 meters.

The concession code 247 applicable to companies or entities involved in the prawn industry will be amended to allow the concessionaire to import on behalf of other entities and ministries.

All freight forwarders will be mandated to be licensed with FRCS. A one-month transitional period will be allowed to fulfill the licensing requirements.



# GENERAL MEASURES

## Pay outs to Families

All families will be receiving \$180 per child (below age of 18years) in the next six months if the annual household income is below \$50,000.

This means that each child will receive \$30 per month. The pay-out will be in two phases.

The payment of \$180 over the six months period will also be available to all existing social welfare, Government pension and After Care Fund recipients along with all tertiary students (regardless of whether or not they are TELS/ Toppers recipients).

## Increased rate of FNPF contributions

Effective from 1<sup>st</sup> January 2023 till 31<sup>st</sup> December 2023, the FNPF rates will be increased from 6% to 7%.

This will be applicable to both employer and employee portion.

A 300% tax deduction will be applicable for employers who contribute in excess of the 7% mandatory contribution up to 10 percent.

That additional contribution received by the employees will be exempt from income tax.

## Bula Boom

Whilst the border restrictions have been uplifted, there is major boom in visitor arrivals.

This has led to 92% employees returning to work.

Foreign reserves have also hit a record high of \$3.62 billion equivalent to 8.4 months of imports.

Forecasted revenue for the year 2022/2023 is \$2.9 billion whereas expenditures are forecasted at \$3.8 billion.

This is expected to create a Debt to GDP ratio to 85 percent and a projected economic growth by 12.4%.



## **Bus Fares**

The bus fares will be subsidised by the government at a rate of 10% for the next 6 months. This will mean that the bus users will pay 10% less.

## **Construction of Viti Levu cross-country highway**

Funds have been allocated for FRA to undertake a pre-feasibility investigation into the construction of the Viti Levu cross-country highway. This will create a greater social mobility and a huge opportunity for commercial, industrial and tourism expansion throughout Viti Levu's interior. This will be Fiji's first ever toll road.

## **Changes to TELS and TVET rebranded to Skills Qualifications**

There have been changes made to the scholarship programmes. The scholarship numbers have been increased whilst reducing the qualifying cut-off marks. New scholarships have been introduced which were not available before.

## **Sports Grants**

Funds have been allocated to bring Fiji sports to a higher level. The focus will be to promote training of local athletes into overseas markets and upgrading stadiums, grounds and other sporting facilities to hold international events in Fiji.



### **Fiji Airways to manage operations of Fiji Airports**

Fiji Airways has been contracted to manage the day-to-day operations of Fiji Airports.

Having management oversight at Fiji Airports will enhance a number of existing synergies between the two companies.

### **Strata Title housing quarters for Civil servants**

Initiatives will be put in place for development of quarters through strata title which will be exclusively for civil servants.

This initiative will ensure that civil servants can affordably own homes and alleviate pressure on the wider housing market.

To start off, the Fiji Police Force will be the first ones to take advantage of this initiative.

### **Free Health Services**

Reforms will be implemented to improve the health services around the country, 23 new general practitioners will be providing free medical services to the ordinary Fijians 24 hours including supply and dispense of medicines.

\$1 million allocated for GP's to provided Free health Services while \$0.5 million is allocated to private dental practitioners to provide dental oral services.



### **Big Plans for Civil Servants**

Introduction of three days personal leave for school teacher across the country.

Teachers currently on Band F will automatically be transited to Step 3 of Band F effective from 1<sup>st</sup> August, 2022 the same will apply for new graduate teachers.

Teachers currently on short term contracts to be provided with 5-year contracts.

A new customer service to be introduced for people to provide feedback to the ministries to improve the civil servant workforce.

### **Upgrade of Hospital's in Northern Division and CWM**

\$7.2 million is allocated to improve infrastructure for CWM and Hospitals in Northern Division.

\$5.2 million for construction of maternity wards at CWM.

\$2 million for upgrades and refurbishment at Savusavu Hospital.

\$395.1 million is allocated to the health Ministry to improve services across the country.

### **Shuttle Bus Pilot Program**

Electrical public transport expected to be implemented by the end of the year providing services to 13 routes in greater Nasinu area.

\$4 million is been allocated to introduce the first ever electrical public transportation in Fiji.



### **Internet Services to be provided in Remote Areas**

15 new towers will be built to improve internet services in rural and remote areas.

Plans to build a submarine cable landing station in western division to maintain connectivity across nationwide.

### **Ministry of Women, Children and Poverty Aviation**

New incentive introduced to support psychosocially and street dwellers.

\$100,000 is allocated for the safety and protection of children in Fiji.

Other funding programmes currently will still be continued.

The COVID-19 economic support measures announced in the 2021-2022 Budget such as electricity and water subsidies, Stronger Together Job Support Scheme and Jobs for Nature, social welfare support, access to GPs and medical practitioners, support for transportation (payment of base fees, PSV drivers licence fees, stall fees for market vendors, inshore fishing fees will continue for the next 12 months.

The zero-rating VAT on the 21 items announced earlier year will also continue.



# CONCLUDING COMMENTS

A number of new measures has been announced in the 2022-2023 National Budget trying to support the most vulnerable in the country.

In order to curb the inflationary rate in Fiji, the Government has announced to implement financial support measures such as bus fare assistance, support for tertiary students, social welfare support and tax measures to support businesses in Fiji to cope the rising prices in Fiji.

The Government has also allocated funds for reprioritising resources towards infrastructure development, providing provision of public services and social safety measures to protect the disadvantaged.

Fiji is currently in the post- pandemic recovery stage as the nation's economy is slowly being stable as border restrictions has being uplifted with major boom in visitor arrivals.

This 2022-2023 National Budget will bring emphasis to improve efficiency and ease cost of living and doing business in Fiji.



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The HLB logo consists of the letters 'HLB' in a bold, white, sans-serif font, centered within a white circular border. The logo is positioned in the bottom right corner of the image, overlapping a dark teal diagonal graphic element.

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