



# 2022-2023 Fiji National Budget Synopsis



15 July 2022



# 2022-2023 Fiji National Budget

The 2022-2023 Fiji National Budget was today presented to the nation by the Attorney-General and Minister for Economy, Civil Service, Communications, Housing and Community Development, Honourable Aiyaz Sayed-Khaiyum.

This Budget is for the fiscal year from 1 August 2022 to 31 July 2023 and seeks to build on key measures that were introduced in the Revised 2021-2022 Budget to support Fiji's post-pandemic economic recovery, rejuvenate private sector activity, assist the vulnerable affected by global inflationary pressures and maintain overall macro-fiscal sustainability.

In announcing the Budget, the Minister for Economy recognized that the post-COVID economic recovery has to be private sector led as Government starts to consolidate its fiscal position and reprioritise resources towards infrastructure development, expanding social protection and improving access to basic necessities such as water and electricity.

PricewaterhouseCoopers is pleased to provide this synopsis of the 2022-2023 Fiji National Budget. A more detailed overview of the 2022-2023 Fiji Budget will also be issued.

## 2022-2023 Budget Estimates: Snapshot

	2022-2023 Budget
Estimated revenue (\$'000)	2,939,930.7
Estimated expenditure (\$'000)	3,812,130.3
<b>Estimated Net Deficit (\$'000)</b>	<b>(872,199.6)</b>
Debt repayments (\$'000)	(307,489.7)
<b>Gross deficit (\$'000)</b>	<b>(1,179,689.3)</b>
<i>Net deficit as a percentage of GDP</i>	<i>(7.4%)</i>
<b>Nominal GDP (\$'000)</b>	<b>11,708,026.3</b>

Source: Budget Estimates 2022-2023

The Fijian economy is estimated to have contracted by 4.1% in 2021. The domestic economy is expected to grow by 12.4 percent in 2022 after three consecutive years of decline. This is expected on the back of the recovery in the tourism industry arising from visitor arrivals of 205,529 in the year to June 2022, which is 50.4 percent of arrivals over the same period in 2019. The current strong pace of tourism inflows is expected to continue, with visitor arrivals now projected to reach 55.0 percent of 2019 levels by the end of 2022.

The economy is projected to grow in 2023 and 2024 by 9.2% and 5.0%, respectively. The broad-based economic recovery is expected to be driven by the services, industrial and primary sectors in line with the rebound in travel and tourism. Net tax collections are projected to recover in tandem.

Inflation has been rising since the second half of 2021, as pandemic-induced imbalances compounded by the war in Ukraine have led to substantial hikes in food and fuel prices. Annual Headline inflation was 5.1 percent in June 2022 following 5.0 percent inflation in May 2022.

The annual average inflation rate is expected to accelerate to 5.2 percent this year from 0.2 percent in 2021. Over the medium term, inflation is projected to moderate to 3.1 percent in 2023 and 2.4 percent in 2024, as supply chain disruptions are expected to dissipate, and alternative markets make up for the lost production from Russia and Ukraine.

In 2021, total exports rebounded by 5.2 percent to \$1,846.9 million, following an 18.6 percent decline in 2020. In 2022, total exports are forecast to grow by 10.7 percent to \$2,044.2 million. Total exports are forecast to grow by 9.5 percent (to \$2,239.2 million) and 7.6 percent (to \$2,410.4 million), respectively, in 2023 and 2024, in line with the anticipated improvement in domestic activity and growth in Fiji's major trading partners.

In 2021, total imports rebounded by 11.7 percent to total \$4,176.2 million after contracting by 26.3 percent in 2020. In 2022, total imports are projected to rise substantially by 30.1 percent (to \$5,435.3 million). In 2023 and 2024, total imports are forecast to increase by 10.1 percent (to \$5,983.2 million) and 5.6 percent (to \$6,317.6 million), respectively.

## Tax Changes

Unless otherwise specified, excise tax, fiscal import duty and import excise duty changes are expected to be effective immediately. All other tax changes are expected to be effective from 1 August 2022 unless stated otherwise.

Income Tax	
Concessionary Rate of Tax for Regional or Global Headquarters	<ul style="list-style-type: none"> <li>The corporate tax rate applicable to an approved global or regional headquarters will be increased from 17% to 20%.</li> <li>This will be effective from Tax Year 2023.</li> </ul>
Corporate Tax Rate for South Pacific Stock Exchange (SPSE) Listed Companies	<ul style="list-style-type: none"> <li>The 10% reduced rate of corporate tax available to companies listed on the SPSE will only be available for 7 years.</li> <li>Companies that have enjoyed for 7 years or more will now pay the corporate tax at the rate of 20%.</li> <li>This will be effective from Tax Year 2023.</li> </ul>
Electric Vehicle Charging Station Development Package	<ul style="list-style-type: none"> <li>The Electric Vehicle Charging Station Development Package will be further incentivized as follows:               <ul style="list-style-type: none"> <li>The minimum investment threshold will be reduced from \$100,000 to \$50,000.</li> <li>The subsidy will be increased from 5% to 10% on capital expenditure incurred in the development of electric vehicle charging stations.</li> <li>The 7-year tax holiday will be maintained.</li> </ul> </li> </ul>
Tax Deduction for Companies Sponsoring Tertiary Education (including Vocational Studies)	<ul style="list-style-type: none"> <li>A 100% tax deduction will be available to companies on the amount of tuition and living expenses paid for student(s) at a higher education institution specified in the Higher Education Act 2008.</li> <li>The deduction applicable for the purpose of 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.</li> </ul>
Non-Resident Withholding Tax (NRWHT) Refunds	<ul style="list-style-type: none"> <li>As announced in the 2021-2022 National Budget, FRCS will continue to facilitate refunds for NRWHT for professional fees.</li> <li>Application for refunds has to be made before 31 December 2022.</li> </ul>
Capital Gains Tax (CGT) on Sale of Shares	<ul style="list-style-type: none"> <li>Capital Gains exemption on gains made by a person on disposal of shares will be limited to resident persons and Fiji citizens only.</li> <li>This change will come into effect from 1 January 2023.</li> </ul>
Capital Gains Tax (CGT) Exemption on REPO Transactions	<ul style="list-style-type: none"> <li>CGT will be exempted on Repurchase Agreements (Repo Transactions) administered by the Reserve Bank of Fiji.</li> </ul>
Hotel Investment Incentive	<ul style="list-style-type: none"> <li>Extension of project completion time provisions will be incorporated under the Standard Allowance incentive.</li> </ul>
Tax Deduction for Hiring of Local Artist	<ul style="list-style-type: none"> <li>The 150% tax deduction available to hotels and resorts that hire local artists such as craftsmen, dancers and musicians will be increased to 300%.</li> </ul>
Residential Housing Development Incentive Package	<ul style="list-style-type: none"> <li>The Residential Housing and Development Incentive Package will be further incentivized as follows:               <ul style="list-style-type: none"> <li>A 50% developer profit exemption will be available to projects with a minimum investment level of \$5m and at least 10 residential units.</li> <li>Customs concession (zero duty) on the importation of capital equipment, plant and machinery.</li> </ul> </li> <li>There will be no condition on the sale price.</li> </ul>



## Income Tax (cont'd)

Employment Taxation Scheme	<ul style="list-style-type: none"> <li>The current Employment Taxation Scheme which expires on 31 December 2023 will be extended until 31 December 2024. The Employment Taxation Scheme allows for the following:             <ul style="list-style-type: none"> <li>300% tax deduction of the amount of any salaries or wages paid for first time employees.</li> <li>300% of the amount of any salary or wages paid to a student for employment of the student where the employment forms part of the student's course requirements of a higher education institution as defined in the Higher Education Act 2008.</li> <li>300% of the amount of any salary or wages paid to a student for employment of the student in an area related to the student's area of study for a period not exceeding 3 months in a 12-month period.</li> <li>400% of the amount of any salary or wages paid to a person with a disability for a consecutive period of 3 years.</li> </ul> </li> <li>The Employment Taxation Scheme will also be extended to include a 300% tax deduction for wages paid to person's employed for apprenticeships.</li> </ul>
Fiji National Provident Fund	<ul style="list-style-type: none"> <li>Government will increase the FPNF employer and employee contributions from 6% to 7% from 1 January 2023 through 31 December 2023.</li> <li>Any employer who chooses to contribute in excess of the 7% mandatory contribution up to 10%, will be allowed to deduct 300% of the additional contribution from their taxes, and that additional income for their employees will be exempt from income tax.</li> </ul>

## Tax Administration

Default Assessment Provisions	<ul style="list-style-type: none"> <li>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.</li> </ul>												
Tax Agents Board	<ul style="list-style-type: none"> <li>TAA will be amended to allow the Tax Agents Board to refer complaints to FRCS for investigation of complaints made against Tax Agents.</li> </ul>												
Forfeiture of Tax Refunds	<ul style="list-style-type: none"> <li>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.</li> <li>The forfeiture provisions will be effective from 1 January 2023.</li> </ul>												
Binding Ruling Fees and Charges	<ul style="list-style-type: none"> <li>The fees for binding rulings issued by FRCS will be increased as follows:             <table border="1" data-bbox="536 1630 1299 1832"> <thead> <tr> <th>Ruling Type</th> <th>Existing Rates</th> <th>New Rates</th> </tr> </thead> <tbody> <tr> <td>Easily determinable</td> <td>\$100</td> <td>\$300</td> </tr> <tr> <td>Moderate Degree of Analysis</td> <td>\$500</td> <td>\$1,500</td> </tr> <tr> <td>Highly Technical and Complex</td> <td>\$1,000</td> <td>\$3,000</td> </tr> </tbody> </table> </li> </ul>	Ruling Type	Existing Rates	New Rates	Easily determinable	\$100	\$300	Moderate Degree of Analysis	\$500	\$1,500	Highly Technical and Complex	\$1,000	\$3,000
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Easily determinable	\$100	\$300											
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Highly Technical and Complex	\$1,000	\$3,000											

## Value Added Tax (VAT)

VAT Exemption on Disposal of Residential Dwellings

- 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.

VAT Reverse Charge

- The provisions of VAT Reverse Charge will be reinstated

## Customs Tariff Act – Fiscal Duty and Import Excise Changes

Increase in Duty and Luxury Vehicle Levy on passenger motor vehicles

- Import Duty on used passenger cars will be increased by \$1,000 per unit.
- Import Duty on new passenger cars will be increased by 5%.
- A \$10,000 luxury vehicle levy will be applied on passenger vehicles with engine capacity greater than 3000cc

### Motor Vehicle Duty Rate Changes

Cylinder Capacity	Hybrid Category	Current Rates		New Rates		Luxury Vehicle Levy
		Fiscal Duty	Import Excise	Fiscal Duty	Import Excise	
Less than 1,500cc	New	Free	Free	5%	Free	-
	Used	\$1,000	Free	\$2,000	Free	-
1,500cc to 2,500cc	New	Free	Free	5%	Free	-
	Used	\$1,250	Free	\$2,250	Free	-
2,500cc to 3,000cc	New	Free	Free	5%	Free	-
	Used	\$1,500	Free	\$2,500	Free	-
Exceeding 3,000cc	New	Free	Free	5%	Free	\$10,000
	Used	\$3,250	Free	\$4,250	Free	\$10,000

Cylinder Capacity	Non-Hybrid Category	Current Rates		New Rates		Luxury Vehicle Levy
		Fiscal Duty	Import Excise	Fiscal Duty	Import Excise	
Less than 1,000cc	New	5%	Free	5%	5%	-
	Used	15% or \$1,750/ unit	Free	15% or \$2,750/ unit	Free	-
1,000 to 1,500cc	New	5%	Free	5%	5%	-
	Used	15% or \$2,875/ unit	Free	15% or \$3,875/ unit	Free	-
1,500cc to 2,500cc	New	5%	Free	5%	5%	-
	Used	5% or \$4,000/ unit	Free	5% or \$5,000/ unit	Free	-
2,500cc to 3,000cc	New	5%	Free	5%	5%	-
	Used	5% or \$5,750/ unit	Free	5% or \$6,750/ unit	Free	-
Exceeding 3,000cc	New	5%	Free	5%	5%	\$10,000
	Used	5% or \$7,125/ unit	Free	5% or \$8,125/ unit	Free	\$10,000

## Customs Tariff Act – Fiscal Duty and Import Excise Changes (cont'd)

Electric Vehicles	<ul style="list-style-type: none"> <li>• Electric vehicles, (including bikes, passenger vehicles, goods vehicles and buses) both new and used will continue to be imported at zero duty.</li> <li>• Import VAT of 9% applicable on electric vehicles will be reduced to 0%.</li> <li>• A \$10,000 cash rebate will be provided to individuals and businesses buying electric vehicles.</li> <li>• Businesses purchasing electric vehicles will qualify for 100% accelerated depreciation (write-off).</li> </ul>
Duty on Liquefied Petroleum Gas (LPG) For Power Generation and AutoGas	<ul style="list-style-type: none"> <li>• 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.</li> <li>• This will be administered as a drawback facility.</li> </ul>

## Customs Act

Age Limit requirement on used motor vehicles	<ul style="list-style-type: none"> <li>• A 5-year age limit will be imposed on the importation of secondhand petrol and diesel motor vehicles. This will be aligned to the age limit of 5 years on hybrid vehicles.</li> <li>• The Euro IV compliance requirement will be maintained.</li> <li>• 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 16 July 2022 and that the shipment arrives in Fiji on or before 31 December 2022.</li> </ul>
Payment by Installment or Deference	<ul style="list-style-type: none"> <li>• The Customs Regulation 155 will be amended to allow for the payment of fees and charges by deferece or installment. This will be applied under exceptional circumstances only.</li> </ul>
Licensing of Freight Forwarders	<ul style="list-style-type: none"> <li>• All freight forwarders will be mandated to be licensed with FRCS.</li> <li>• A one-month transitional period will be allowed to fulfill the licensing requirements.</li> <li>• FRCS will publish the names of all licensed freight forwarders for public information.</li> <li>• Penalties will be imposed for non-compliance.</li> </ul>

## Superyacht Charter

Superyacht Charter Fee	<ul style="list-style-type: none"> <li>• The Superyacht Charter Fee will be reduced from USD \$55,000 to USD \$30,000.</li> <li>• The minimum length requirement of a Superyacht will be reduced from 24 meters to 18 meters.</li> </ul>
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## Other Legislative Changes

Concession Code 247 – Companies or entities involved in Prawn Industry	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
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This Fiji National Budget Synopsis has been prepared to provide a prompt overview of the general issues raised in the 2022-2023 Fiji National Budget. It does not exhaustively cover 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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