



Bill Summary

Excise (Budget Amendment) Bill

Bill No. 46 of 2016

The Excise Budget Amendment Bill 2016 seeks to amend the Excise Act 1986.

The Fiji Excise Act 1986 provides for the levying and collecting of excise duties on goods manufactured in Fiji and for related purposes. The excise tax are generally levied on cigarette and alcohol products.

In the 2016-2017 Budget Address, the Minister of Finance while tabling the Bill in Parliament stated, “.....alcohol and tobacco are major factors in the prevalence of non-communicable diseases in Fiji, as is over consumption of sugar, sweet and drinks which can be linked directly to obesity and diabetes. In order to reduce consumption of these products and help improve the health of Fijians, Government is increasing the physical and import excise tax on alcohol and tobacco products by 15 percent. I believe that we can stick to this rate for the next three years. We have received many request from the private sector and NGOs to help Fijians control the intake of sugary beverages. So the excise tax is being increased by 20 cents per litre¹.”

Therefore, a 15 percent excise tax increase in price of alcohol and tobacco products and a 20 cents a litre tax on carbonated and sweetened beverages is currently levied as of 23rd June 2016.

Objective, scope and intent of the Bill

The primary purpose of the amendment is to:

- Encourage the setting up of downtown duty free shops as per the amendments to the Customs Act 1986;
- Increase the price of tobacco, cigarettes and alcohol by 15 percent; and
- Increase excise duty by an additional 20 cents per litre for carbonated and sweetened beverages.

According to the Explanatory Note, the amendments for the price increase of tobacco, cigarettes and alcohol by 15 percent and increase excise duty by an additional 20 cents per litre for carbonated and sweetened beverages is anticipated to discourage people from the excessive consumption of these goods which may result in non-communicable diseases.

Summary of provisions

Short title and commencement

Clause 1(1) – this law may be cited as the *Excise (Budget Amendment) Act 2016*.

Clause 1(2) – this Act comes into force on 23 June 2016.

Clause 1(3) – in this Act the Excise Act 1986 will be referred to as the “Principal Act”.

Section 2 Amended

Clause 2 amends Section 2 of the Principal Act by:

- a) Inserting the following new definitions – “**downtown duty free shop**” means a downtown duty free shop as defined in the Customs Act 1986;

The Customs (Budget Amendment) Bill 2016 proposes amendment to Section 2 of the Customs Act 1986 to include the following new definition, ““*downtown duty free shop*” means a place licensed as a downtown duty free shop by the Comptroller under section 63K;” Therefore, the above definition defines “*downtown duty free shop*” in this Bill.

¹ Parliament of the Republic of Fiji (2016) Hansard. Chamber Parliamentary Debates [Amended], 22 June 2016, p.1995 [hard copy]



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- b) Inserting the following **(in bold)** in the definition of “*export warehouse*”. The definition of “*export warehouse*” was inserted in the Principal Act as an amendment by the Excise (Amendment) Act 1996.

"export warehouse" means a place appointed by the Comptroller for the deposit, keeping and security of imported and Fiji manufactured goods for sale to a relevant traveller leaving Fiji from an approved airport or seaport. Export warehouses may be called duty free shops or downtown duty free shops.

As highlighted in the Explanatory Note, the purpose of the above amendments is to encourage the establishment of downtown duty free shops as per the amendments to the Customs Act 1986.

Part 1 of Schedule 2 Amended

Clause 3 amends Part 1 of Schedule 2 to the Principal Act. **Column 3 of the table below outlines the amendments in Clause 3.**

Column 1 Item	Description	Column 3 Rate of Excise Duty (deletions are struck out and substitutions are in bold)
1.01	Cigarette from imported tobacco per 10 sticks	228.74 cents \$2.63 on every 10 cigarettes
1.02	Cigarettes from local tobacco per 10 sticks	152.50 cents \$1.75 on every 10 cigarettes
1.03	Cigarettes from tobacco grown outside Fiji (imported) and tobacco grown in Fiji (local)	A duty on every 10 cigarettes of such proportion of 228.74 cents \$2.63 cents as the amount of tobacco grown outside Fiji contained in such 10 cigarettes bears to the entire content of the cigarette together with the amount of such proportion of 152.50 cents \$1.75 cents as the amount of tobacco grown in Fiji contained in such 10 cigarettes bear to the entire tobacco content of the cigarettes
2.01	Manufactured tobacco containing tobacco grown outside of Fiji	\$131.80 \$151.57 on every kilogram of tobacco
2.02	Manufactured tobacco containing tobacco grown in Fiji	\$77.43 \$89.04 on every kilogram of tobacco
2.03	Manufactured tobacco containing tobacco grown outside Fiji and tobacco grown in Fiji	A duty on every kilogram of tobacco of such proportion of \$131.80 \$151.57 as the amount of tobacco grown outside Fiji contained in such kilogram of tobacco bears to the entire tobacco content of the tobacco together with the amount of such proportion of \$77.43 \$89.04 as the amount of tobacco grown in Fiji contained in such kilogram of tobacco bears to the entire tobacco content of the tobacco
3.01	Ale. Beer, Stout and other fermented liquors of an alcoholic strength of 3% or less	\$2.25 \$2.59 a litre

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3.02	Ale. Beer, Stout and other fermented liquors of an alcoholic strength of 3% or more	\$2.63 \$3.02 a litre
4.01	Ethyl alcohol or neutral spirits, undenatured, of a strength not less than 80° Gay Lussac (GL)	\$86.90 \$99.94 a litre
4.03	Potable Spirit Not Exceeding 57.12 GL	\$49.63 \$57.07 a litre
4.04	Potable Spirit Exceeding 57.12 GL	\$86.90 \$99.94 a litre
4.05	Ready to Drink Mixtures of any Alcohol and non-alcohol strength by volume of 11.49% or less	\$1.61 \$1.85 a litre
5.01	Sparkling Wine	\$3.99 \$4.59 a litre
5.02	Still Wine	\$3.50 \$4.03 a litre
5.03	Other fermented beverages: Sparkling	\$3.99 \$4.59 a litre
5.04	Other fermented beverages: Still	\$3.50 \$4.03 a litre
6.00	Carbonated soft drinks	10 cents 30 cents a litre
7.00	Sweetened beverages with added sugar or artificial sweetener	10 cents 30 cents a litre

International comparisons

Several countries in the Pacific have successfully taken measures to increase taxes on cigarettes as an effective intervention to mitigate the NCD crisis².

- In 2013, Cook Islands budget included a 33% increase on the import tax for cigarettes.
- In Papua New Guinea, the 2012 budget included a 15% increase in tobacco excise tax, and the 2013 budget included a further 10% increase.
- In Tonga, the 2013 tobacco taxation proposal includes a 15% increase in average price per pack in year one, a 15% increase in year two, and a 13% increase in year three.

Outlined below are countries who have implemented action on health-related food taxes³:

Samoa	Soft drinks, both imported and locally produced, have been taxed since 1984. From 1984 until 2008, the excise tax amounted to 0.3 Samoan Tala per litre (around \$0.12); in 2008 the rate changed to 0.4 Samoan Tala per litre (around \$0.17). In 2007, Samoa imposed a ban on high fat turkey tails. In 2012 the ban was lifted when Samoa joined the World Trade Organization and a 300% import duty was set for two years followed by a 100% import duty.
Tonga	As of 2013, soft drinks containing sugar or sweeteners are taxed at 1 Tonga Pa'anga per litre (around \$0.50). Animal fat products (e.g. lard and drippings) are taxed at \$1 per kilogram.
Barbados	In June 2015 the Government of Barbados passed a 10% excise tax on locally produced and imported sugary drinks, including carbonated soft drinks, juice drinks, sports drinks and others. Drinks exempt from the tax include 100% natural fruit juice, coconut water, plain milk and evaporated milk. The tax came into effect 1 August 2015 and will be reviewed after two years. Revenue from the tax will be directed to the health sector.

² World Health Organization, Media Release, *Tobacco taxation goal is not just to increase revenue*, 31 May 2013 <http://www.wpro.who.int/southpacific/mediacentre/releases/2013/20130531/en/> [Accessed 4 July 2016]

³ World Cancer Research Fund International Nourishing Framework, Examples of Policy Action http://www.wcrf.org/sites/default/files/3_Economic%20Tools_Final.pdf [Accessed 4 July 2016]



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Mexico

In December 2013, the Mexican legislature passed two new taxes as part of the National Strategy for the Prevention and Control of Overweight, Obesity and Diabetes (Estrategia Nacional Para Un Mexico Sin Obesidad). They entered into force on 1 January 2014. An excise duty of 1 peso (\$0.07) per litre applies to sugary drinks. Sugary drinks are defined under the new law as all drinks with added sugar, excluding milks or yoghurts. Preliminary price monitoring indicates that the price of sugary drinks has increased by around 10%. The revenue from the sugary drink tax should be allocated to fund programmes addressing malnutrition, obesity and obesity-related chronic diseases, as well as access to drinking water (6th transitory article, Federal Law on Income for the Fiscal Year 2014); however, the revenue is currently being allocated to the general budget. An ad valorem excise duty of 8% applies to foods with high caloric density, defined as equal to or more than 275 calories per 100 grams. The food product categories that are affected by the tax include chips and snacks, confectionery, chocolate and cacao based products, puddings, peanut and hazelnut butters.

Gender analysis

The Bill does not have any disproportionate impact on women and men.

Further information

- Excise (Budget Amendment) Bill 2016 – No.46 of 2016 Available at: [http://www.parliament.gov.fj/getattachment/Parliament-Business/Bills/2016-Bills/Bill-No-46-Excise-\(Budget-Amendment\).pdf](http://www.parliament.gov.fj/getattachment/Parliament-Business/Bills/2016-Bills/Bill-No-46-Excise-(Budget-Amendment).pdf)
- Excise Act 1986. Available at: http://www.pacii.org/cgi-bin/sinodisp/fj/legis/num_act/ea198680/ea198680.html?stem=&synonyms=&query=excise%2Act%201986
- Excise (Amendment) Act 1996. Available at: http://www.pacii.org/cgi-bin/sinodisp/fj/legis/num_act/ea1996160/ea1996160.html?stem=&synonyms=&query=excise%2Oamendment%20act%201996
- Pacific Islands Forum Secretariat, NCD Roadmap Report, a *draft background document on preventing and controlling NCDs in the Pacific, circulated June 2014 for consideration by the Forum Economic Finance Ministers Meeting, July 2014*. Available at: http://www.forumsec.org/resources/uploads/attachments/documents/2014JEHM.BackgroundA.NCD_Roadmap_FullReport.pdf
- World Health Organization, News, Feature Story, *Cook Islands – Small island state with big actions for NCDs*, 19 January 2015 Available at: http://www.wpro.who.int/southpacific/mediacentre/releases/2015/cook_islands_ncds/en/
- Fiji Revenue and Customs Authority, *Summary of Revenue Policies: 2016 – 2017 Budget*, 22 June 2016. Available at: <http://www.frca.org.fj/wp-content/uploads/2015/11/2016-2017-Budget-Summary-of-Revenue-Policies.pdf>

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