The Budget process: a step-by-step guide and frequently asked questions

1. Budget address— The Minister for Economy presents the *Appropriations Bill* (the Bill) and supporting documentation at the **first reading**.
2. Bills and all budget documentation are immediately circulated to all Members (according to Standing Orders).
3. Parliament is adjourned for at least **six days** to allow Members the opportunity to consider the Bill and accompanying budget documents.
4. Notice of the **second reading** of the Bill will be given at least two days in advance.
5. The Bill is read for a second time and immediately referred to a **Committee of Supply** of the whole Parliament.
6. A debate will take place on each Estimate **head**. Amendments may be moved and voted upon.
7. The **Committee of Supply** will then immediately consider the Bill. Each schedule and clause will be voted on without debate.
8. The Bill (or Bill as amended) is tabled in Parliament.
9. A motion for the **third reading** will be proposed by the Minister for Economy and decided immediately without amendment or debate.
10. If the motion is agreed and the Bill is passed, it is sent to the President for assent.

Parliamentary procedure

The Minister of Economy will table before Parliament an Appropriations Bill and budget estimates document which will provide for an annual budget. According to Standing Orders and the Constitution, the Budget must reflect estimates of revenue, capital and current expenditure for the year in respect of the ordinary services of the Government and services of Parliament. These documents may be accompanied by any other supporting documents that the Minister for Economy sees fit to include.

The Minister will make an address to Parliament which outlines some of the key elements of the proposed Budget for the next year.

Main budget documents

Budget Address
The speech the Minister for Economy delivers in parliament to introduce the budget.

Appropriations Bill
Contains the budget measures for this financial year.

Budget Supplement
Complements the budget address. Sets out Fiji's financial and economic performance and outlook.

Estimates Documents
Outlines the estimated costs for each programme and activity.

Committee of Supply

Standing Order 100 deals with the procedure of a Committee of Supply. Once a Committee of Supply has been convened the Speaker will instruct the Secretary-General to work through the estimates calling each expenditure head in turn. Debate may then take place on any matter related to the head.

During the Committee of Supply the Speaker sits with the Secretary-General and is referred to as Madam Chair. The Standing Orders do not impose an official time limit on this debate and every Member normally gets an opportunity to speak. It is up to the Business Committee to decide in advance how much time is allotted to each contribution. Time for budget consideration is normally tight and it is likely that a motion may be put forward to extend the sitting time in the Chamber to pass 4.30 pm.

Amendments

An amendment to a head, or subhead or item under a head, may be moved without notice during the course of the debate. Amendments must comply with Standing Order 107 and only the following forms of amendment are considered to be 'in order':

(a) "That head [*name of head*] be increased by $[*amount*] in respect of [*name of subhead or item*]";

(b) "That head [*name of head*] be decreased by $[*amount*] in respect of [*name of subhead or item*]"; or

(c) "That [*name of subhead or item*] be left out of head [*name of head*]".

In previous years hard copy forms have been distributed among the Members in order to record their proposed amendments.

If more than one amendment is moved to the same head, subhead, or item, an amendment for an increase of any sum takes precedence over an amendment for its reduction, and an amendment for a greater reduction takes precedence over an amendment for a lesser reduction.

Once debate has been concluded the Speaker will put the question on any amendment. According to Standing Order 104(4) the Speaker may refuse to propose any amendment, which, in the Speaker's opinion, is unintelligible, irrelevant, frivolous, or scandalous, or is otherwise out of order or not in accordance with the Standing Orders.

Conclusion of debate on a head

After all debate on a head has been allowed the Speaker will put the question that the amount contained within the head be approved. If it has been amended during the course of the debate the Speaker will ask whether the amount as amended be approved.

A question will then be put that the amendment stand as part of the Appropriations Bill. A motion may be moved to change an amendment. The motion must specify the particular appropriation that it seeks to alter.

Once agreed the Secretary-General will move on to the next head.

Consideration of the Appropriations Bill

Once the procedure with the estimates has concluded the Committee of Supply will move to consider the Appropriations Bill. This will be dealt with schedule by schedule. According to Standing Order 101(1) no amendment may be moved at this stage unless it is consequential to an amendment made during consideration of the estimates or it is moved by the Minister of Economy.

The Speaker will ask whether each schedule should stand as part of the Bill. This vote is undertaken without debate. The Bill (or Bill as amended) is then tabled before Parliament and a motion for third reading is put forward by the Minister of Economy. A vote on the motion is taken immediately without amendment or debate.

The Bill is then submitted to the President for assent.

Consequential Bills

A number of **Consequential Bills** may be tabled after the Appropriations Bill. These propose any required changes to legislation following the passing of the Budget; for example, changes to customs tariffs or taxation, such as duty, income tax, value added tax or capital gains tax. These will be dealt with in the Chamber under Standing Order 51 which allows Bills to proceed without delay. For the 2018-2019 Budget there are a total of 14 consequential bills.

Estimates documents

The Budget estimates are presented in a programme format. The estimates document states that the aim is:

> "… to give a reasonably accurate estimate of costs of each major activity carried out by the Ministries so that these can be weighed against its importance in the Government's total budget."

Each Ministry's expenditure is grouped by head, then into broad programmes. Information sitting underneath the programme is organised by activity. Sitting within the activity is the Standard Expenditure Group (SEG). These are numbered groups which classify the item of expenditure. Typically, SEGs 1–7 represent recurrent or operating expenditure; for example, staff or travel costs. SEGs 8–10 tend to be capital expenditure involving tangible assets with a certain minimum value and an economic life of at least seven years.

The estimates document will detail each area of expenditure as set out above. It also includes a description of the role and objectives for each Ministry and for the activities undertaken.

Budget Supplement

The Budget Supplement provides an overview of Fiji's financial and economic performance and outlook, as well as the Government's fiscal policy framework for the medium term. Generally, it provides the finer details on what the Minister of Economy has presented in his address to Parliament.

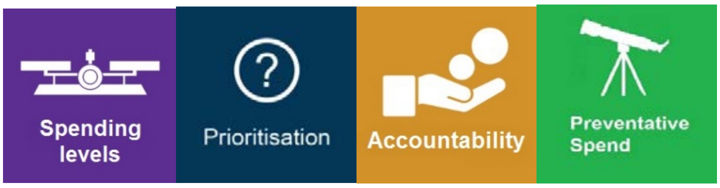
Previous years have included the Government's policy framework, balance sheets, opportunities for investment and trade, its overall fiscal position and its priority policy areas. The Supplement should be read with the estimates as it gives further clarification and explanation of why certain amounts are proposed for appropriation.

Revenue measures (Fiji Revenue and Customs Services Circular)

The Fiji Revenue and Customs Services (FRCS) is the arm of government that collects taxes, tariffs and duties. The FRCS produces a circular which outlines any changes to taxation and the legislation that these will affect. It corresponds to the relevant chapter within the budget supplement.

Taxation is the way in which the Government generates revenue to pay for the services it provides to the people. Taxation can be used to incentivise a certain activity; for example, duty on bicycles could be reduced to encourage people to cycle more and be healthier. Taxation has the most direct impact on people's cost of living.

Principles of effective budget scrutiny



Spending levels
Taking into account the wider picture of revenue and expenditure, are they appropriately balanced?

Prioritisation

Are the pledges and commitments made by the Government reflected in the choices it makes in the allocation of resources?

Accountability

Are government departments and public bodies spending their allocations? Are they achieving good outcomes for the people of Fiji?

Preventative spending
Does public spending over the longer-term aim to prevent negative social outcomes? For example, educating people about healthy eating now, rather than having to deal with the consequences of a potential obesity epidemic later.

Frequently asked questions (FAQs)

Q: What are the dates for the new financial year?

The financial year (or fiscal year) begins on the 1 August 2017 and ends on 31 July 2018.

Q: Why was the financial year changed from previous years?

The Minister for Economy reported three factors which influenced the decision to change the financial year from 1 January – 31 December to 1 August – 31 July:

- The old financial year ended at the same time as taxation payments were due. This meant that payments were not received onto the Government's books until the next financial year.
- Holiday mode —many people are preparing for Christmas in November/December. This leads to a lack of focus and availability.
- Adaptation to climate change—to avoid making budget predictions which could be affected by a cyclone or other natural disaster. (Cyclone season typically is November to April.)

Q: How does the Government generate revenue?

The Government generates revenue from taxes, dividends from investments, cash grants (from donor agencies or lending institutions) and fees, charges and levies.

Q: Which are the key government agencies involved in the formulation of the Budget?

The key agencies are the Ministry of Economy (budget policy) and the FRCS (revenue policies). The Reserve Bank of Fiji (fiscal policy) and the Bureau of Statistics also contribute by providing fiscal information, statistics and advice.

Q: What is GDP and why is it important?

GDP stands for Gross Domestic Product. It is one of the most widely used measures of an economy's output or production. It is defined as the total value of goods and services produced within a country's borders in a specific time period. GDP can be a good indication of the health of the economy, whether it is expanding or retracting or is in danger of recession or inflation.

Q: What is inflation?

Inflation can be defined as a sustained increase in the general level of prices for goods and services. It is measured as an annual percentage increase. As inflation rises, the spending power of the dollar buys a smaller percentage of a good or service.

Q: What is recession?

The technical indicator of a recession is two consecutive quarters of negative economic growth as measured by a country's GDP.

Q: Where can I find out more information on Economy related matters?

If you have a budget or Economy related question you can approach the Research and Library team with your enquiry. You can also find out further background information and budget documents from previous years at the following websites:

- Ministry of Economy
- Fiji Bureau Statistics
- Reserve Bank Fiji -
- FRCA 2018-2019 Budget documentation

Annex A – Glossary of budget terms

Accrual—revenues or expenditures that have been recognised for a fiscal year but not received or disbursed until a subsequent fiscal year.

Activities—major subdivisions within programmes. For example, within the programme for primary education activities could include general administration, non -government primary schools and special education.

Capital expenditure—funds used to acquire or upgrade physical assets such as property and equipment.

Contingency Fund - a fund to meet the need for any urgent or unforeseen expenditure, for which no other provision exists.

Estimates—outline the details of the amounts contained in the Appropriations Bill.

Expenditure—another word for costs. This is what the Government pays out to provide its services.

Debt—debt is what the Government owes. If there is a budget deficit, the government must borrow to fund the difference and this increases its debt.

Deficit —a budget deficit occurs when a country's spending exceeds its income.

Gross Domestic Product (GDP) —the value of a country's overall output of goods and services (typically during one fiscal year) at market prices, excluding net income from abroad.

Gross—the total amount prior to any deductions.

Head—an area of expenditure.

In-kind—items of a non-monetary nature. For example, the provision of physical resources or other non-financial support.

Net —the amount which is left over after any deductions have taken place.

Overheads—the administration expenses an organisation incurs in order to operate.

Preventative spend—public spending which focuses on trying to prevent negative social outcomes in the longer term. For example, educating people about healthy eating now, rather than trying to deal with a potential obesity epidemic later.

Programme—a group of closely related services which contribute to a common objective or set of allied objectives. For example, primary education represents one programme within the Ministry of Education, Heritage and Arts.

Receipts —an amount of money received during a particular period by the Government.

Revenue—the income generated from the sale of goods or services, or any other use of capital or assets before any costs or expenses are deducted.

Surplus—a situation in which income exceeds expenditure.

Standard Expenditure Groups (SEG)—sits within each activity. They are numbered and classify the item of expenditure into different groups. For example, staff costs, travel or capital expenditure. Each SEG will differ depending on the activity within which it sits.

Taxes (direct) —taxes that the Government directly levies on wage/salary earners and businesses or corporations. These include personal income tax (PAYE), corporate tax, social responsibility tax, fringe benefit tax, withholding tax and capital gains tax.

Taxes (indirect) —these are based on consumption and are indirectly collected by the Government. They are often included in the prices of goods and services. Examples are Value Added Tax (VAT), customs duties, service turnover tax, water resource tax, credit card levy, airport departure tax, stamp duties, and other levies.

Service Turnover Tax (STT) —levied on the VAT-exclusive cost of turnover of any person conducting a business involving the provision of a prescribed service, at the rate of 6%, with effect from 1 August 2017. Turnover means any sums or amounts received or receivable by or on behalf of the owner of a service in respect of any sums or amounts included in a charge for a prescribed service. The service provider has to collect the STT shown on the bill issued to a customer. In the 2018-2019 Budget, the threshold of $1.25m which is currently levied for licensed restaurants, bars, clubs, bistros and coffee shops, will now be aligned to other prescribed services for the application of STT.

Value Added Tax (VAT) levied on goods and services. The VAT rate is currently at 9% (this rate was effective from 1 January 2015). The previous rate was 15%. VAT is charged on goods and services by persons or businesses that are VAT-registered with the FRCA. VAT is similar to the goods and services tax (GST) applicable in Australia and New Zealand.

Sources

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Fijian Government (2013) *Constitution of the Republic of Fiji Promulgation Decree 2013*. Decree no. 24 of 2013. [hard copy]

Fiji Revenue and Customs Services (2018) *Summary of Revenue Policies 2018 – 2019 budget*. PDF. Available at: https://www.frcs.org.fj/wp-content/uploads/2018/06/2018-2019-Summary-of-Rev-Policies-Final.pdf [Accessed 29/06/18]

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