

FRIDAY, 20TH NOVEMBER, 2015

The Parliament resumed at 9.40 a.m. pursuant to adjournment.

MADAM SPEAKER took the Chair and read the Prayer.

PRESENT

All Honourable Members were present, except the Honourable Prime Minister and Minister for *iTaukei* Affairs and Sugar and the Honourable Ratu N.T. Lalabalavu.

MINUTES

HON. LEADER OF THE GOVERNMENT IN PARLIAMENT.- Madam Speaker, I beg to move:

That the Minutes of the sitting of Parliament held on Thursday, 19th November, 2015 as previously circulated, be taken as read and be confirmed.

HON. LT. COL. N. RIKA.- Madam Speaker, I beg to second the motion.

Question put.

Motion agreed to.

Birthday Wishes – Madam Speaker

HON. LEADER OF THE GOVERNMENT IN PARLIAMENT.- Madam Speaker, I have been advised that this is a very special day for you, and may I, therefore, on behalf of the Acting Prime Minister, the Honourable Leader of the Opposition and all the Honourable Members of the House, those watching from the gallery and all Fijians, wish you the very best on the occasion of your 70th birthday.

(Acclamation)

Madam Speaker, we wish you good health and a long life, and may you be filled with wisdom and may God's grace be with you.

MADAM SPEAKER.- Thank you very much.

COMMUNICATIONS FROM THE CHAIR

Acknowledgment – Birthday Wishes

MADAM SPEAKER.- I welcome all Honourable Members to the final sitting day of this week and I would like to thank the Honourable Leader of Government in Parliament and Members of Parliament and all those who are present here for your good wishes for today. Thank you so much.

2016 Budget

After four gruelling days of robust and lively debates, the 2016 Budget was passed last night. I congratulate Honourable Members and thank you for all your input and valuable contributions.

Acknowledgment of School Visits

I am pleased to welcome students and teachers from Drasa Primary School in Lautoka and with all the sittings this week, we will have other school groups joining us throughout the course of the proceedings. I wish all you students well in your studies and also, that you will enjoy your stay here in Suva.

I also warmly welcome members of the public joining us in the gallery and those watching on TV, internet and those listening on the radio. Thank you for taking interest in your Parliament.

Blue Ribbon Campaign – Ministry for Women, Children and Poverty Alleviation

Honourable Members, I would like to thank all those who have supported the Ministry of Women, Children and Poverty Alleviation's Blue Ribbon Campaign yesterday.

Retreat - Members of Parliament

For those of you who will be boarding the chartered bus for the MPs Retreat on Monday, the bus will depart from the front entrance at 2 p.m.

Christmas Carols – Ratu Sukuna Memorial School

We have received notice from Ratu Sukuna Memorial School that they will be singing Christmas Carols in the Big Committee Room during lunch break today.

Delay in Daily Hansard

A final reminder, Honourable Members, that our *Hansard* transcription is delayed once again, and yesterday's *Daily Hansard* will be circulated later today, as soon as this is completed.

POINT OF ORDER

HON. RATU I.D. TIKOCA.- I rise on a Point of Order, Madam Speaker.

MADAM SPEAKER.- Point of Order.

HON. RATU I.D. TIKOCA.- Thank you, Madam Speaker. Just as we are about to continue the order for this week's proceedings, and as we are about to discuss the Consequential Bills, the Point of Order is to raise Standing Orders 62(1) and 62(4)(d). It says and I quote:

“62(1) When speaking, a member must not impute improper motives to any other member.

62(4) It is out of order for a member, when speaking, to use –

(d) words that are likely to promote or provoke feelings of ill-will or hostility between communities or ethnic groups within Fiji.”

Madam Speaker, three days ago in this House, during the Committee of Supply which was broadcasted around the globe, I was challenged in this House to provide with proof that the Honourable Minister of Finance and the Acting Prime Minister is corrupt. This happened during the debate on the Acting Prime Minister's decision to stop civil servants from briefing the Members of the Opposition.

Whilst talking, the Acting Prime Minister decided to imitate my voice. What is unacceptable was, when he began to act like a monkey, whilst imitating my voice. I am sure that he knows his pathetic acting skills at trying to imitate a monkey has gone viral. I hope he was not inferring with his inappropriate and immature behaviour in this House three days ago, that as a native Fijian, I am a monkey.

I might add, Madam Speaker, that you failed to stop this and all of the FijiFirst members and Members on the other side found it amusing, even though his gesture was aimed, not just at me, but at all indigenous Fijians.

HON. MEMBER:- Ohhhhhhhh

On *Facebook*, the people of Fiji are throwing heated words and racial slurs at each other because they saw the Acting Prime Minister's action was racist.

Madam Speaker, we must guard against racism at all times, highlighting ethnic concerns and facts that concern our indigenous people is not racist but an Acting Prime Minister making racist gestures and reaffirming negative stereotype is a totally different story.

MADAM SPEAKER.- Order! Order.

HON. RATU I.D. TIKOCA.- Yes, Madam.

MADAM SPEAKER.- I request that such instances and concerns should have been raised immediately when the action was done and not two or three days later.

Secondly, because of that, if the issue had been brought up at that time, it would have captured the spirit of the moment at the time. Anyway, that is my opinion of it but such an issue should be brought up immediately when it happens, and I would have made a ruling at that time. Right now, it is a bit too late to bring it up.

HON. RATU I.D. TIKOCA.- Madam, we were actually sitting in the Committee of Supply on this Appropriation Bill and we thought it was not in order for me to raise that. In addition to that, we have given time for him to do the much needed and that is to apologise but for three days, he has not apologised to the people of Fiji. I need to table this.

MADAM SPEAKER.- Thank you.

HON. M.R. VUNIWAQA.- Madam Speaker, I rise on a Point of Order.

MADAM SPEAKER.- Point of Order.

HON. M.R. VUNIWAQA.- Madam Speaker, what we saw in this House, I do not know how that got turned into a racial comment. We are now making it into a racial issue, it was not like that. Any reasonable person seeing that would not automatically think of a racial comment. He has turned it into that and that is very improper.

MADAM SPEAKER.- Thank you. I have made my ruling and that is, the issue should have been brought up immediately afterwards, however, it has been brought up now and it will be in the *Hansard Report*. Thank you for your further comment.

HON. N. NAWAIKULA.- Madam Speaker, I rise on a Point of Order.

MADAM SPEAKER.- Is this on another issue?

HON. N. NAWAIKULA.- On the same issue but on a different point of order.

MADAM SPEAKER.- I would like to leave that issue at rest.

HON. N. NAWAIKULA.- I would just like to say, Madam Speaker, that we considered the fact that we were in the Committee of Supply.

MADAM SPEAKER.- Let us not dwell on that issue.

HON. N. NAWAIKULA.- But he should apologise and I am ashamed. I am a native Fijian and he should apologise to me.

MADAM SPEAKER.- If it was brought up at that time.

HON. N. NAWAIKULA.- I am not a monkey.

HON. A. SAYED-KHAIYUM.- You should be ashamed of yourself.

MADAM SPEAKER.- Order!

HON. RATU I.D. TIKOCA.- Madam Speaker, I rise on a Point of Order.

MADAM SPEAKER.- On another issue.

HON. RATU I.D. TIKOCA.- On the same issue.

MADAM SPEAKER.- Thank you, I have made my ruling.

HON. RATU I.D. TIKOCA.- He should apologise to the people of Fiji.

(Inaudible Interjections)

MADAM SPEAKER.- I have made my ruling. The issue should have been dealt with at that time and the apology would have been given at that time. The spirit of the way it was presented at that time is totally different from what we are hearing now. Please, let us leave that matter at rest and we continue with this.

HON RATU I.D. TIKOCA.- Madam Speaker, he should apologise to me.

HON. A. SAYED-KHAIYUM.- (Inaudible)

HON. RATU I.D. TIKOCA.- You should apologise, if you are not going to apologise....

MADAM SPEAKER.- Order, order!

HON. N. NAWAIKULA.- I rise on a Point of Order.

MADAM SPEAKER.- Only if it is not on this issue.

HON. N. NAWAIKULA.- It is not Madam. It is on the conduct of the Acting Prime Minister pointing; that is un-parliamentary. Could he be cautioned not to do that?

HON. A. SAYED-KHAIYUM.- (Inaudible)

HON. N. NAWAIKULA.- Do not point.

MADAM SPEAKER.- Point of Order taken. Please Honourable Members, there has been continuing complaints about Members pointing at each other, let us not continue to point at each other.

HON. RATU I.D. TIKOCA.- A Point of Order, Madam Speaker. In the first introductory passage when I submitted my complaint this morning, I was going to table the documents that the Honourable Acting Prime Minister demanded that I produce. Is that received by Parliament?

MADAM SPEAKER.- The document has been received by the Secretary-General, thank you.

HON. RATU I.D. TIKOCA.- Thank you, Madam.

SUSPENSION OF STANDING ORDERS

HON. LEADER OF THE GOVERNMENT IN PARLIAMENT.- Madam Speaker, I move:

That the Standing Orders be suspended, to allow the Consequential Bills to be debated, voted upon and do pass and the House take into consideration the amendments made to three of the Consequential Bills which were circulated to Honourable Members yesterday:

- 1) a Bill for an Act to impose an Environmental Levy on Prescribed Service Turnover and for related matters, Bill No. 27 of 2015;
- 2) a Bill for an Act to amend the Value Added Tax Decree 1991, Bill No. 29 of 2015; and
- 3) a Bill for an Act to amend the Customs Tariff Act 1986, Bill No. 31 of 2015.

MADAM SPEAKER.- Thank you, do we have a seconder?

HON. LT. COL. N. RIKA.- Madam Speaker, I beg to second the motion.

MADAM SPEAKER.- Thank you. I now call upon the Leader of the Government in Parliament to speak on his motion.

HON. LEADER OF THE GOVERNMENT IN PARLIAMENT.- Thank you, Madam Speaker.

Madam Speaker, again these are procedural issues and as I did state, it has been circulated to the Honourable Members yesterday. We will be debating on the Bills anyway, and the amendments will be included as we come to the respective Bills. I wish to assure the Honourable Members of the House that it does not, in any way, take away the substance of the Bill and therefore, I commend the motion to the House.

MADAM SPEAKER.- Thank you. Is there any other Honourable Member who wants to speak on that motion?

There being none, Parliament will now vote and the question is, that Standing Orders be suspended to allow that motion, the Consequential Bills be debated, voted upon and do pass and the House takes into consideration the amendments made to the following Consequential Bills which have been circulated to the Honourable Members yesterday:

- 1) a Bill for an Act to impose an Environmental Levy on Prescribed Service Turnover and for related matters, Bill No. 27 of 2015;
- 2) a Bill for an Act to amend the Value Added Tax Decree 1991, Bill No. 29 of 2015; and
- 3) a Bill for an Act to amend the Custom Tariff Act 1986, Bill No. 31 of 2015.

Does any Member oppose the motion?

There being no opposition, the motion is agreed to.

Motion agreed to.

Honourable Members, I will now call on the Leader of the Opposition to move her motion.

PROPOSED AMENDMENT – VAT (BUDGET AMENDMENT) BILL 2015

HON. RO T.V. KEP.A.- Madam Speaker, I move:

That pursuant to Standing Order 107, I wish to move an amendment to the Bill for an Act to amend the Value Added Tax Decree 1991 (Bill No. 29 of 2015) by inserting the following new subsection after Section 72A (5) –

- (6) The Minister may make regulations prescribing subsidies for selected basic food items to household whose net income is \$12,000 or less,

and that the House takes into consideration the amendments proposed by the Honourable Viliame Gavoka and myself, which was circulated earlier today.

MADAM SPEAKER.- Thank you, do we have a seconder?

HON. RATU I.D. TIKOCA.- Madam Speaker, I beg to second the motion.

MADAM SPEAKER.- Thank you. I now call on the Honourable Leader of the Opposition to speak on her motion.

HON. RO T.V. KEP.A.- Madam Speaker, our shadow Minister of Finance, Honourable Dr. Biman Prasad, stated this week about the regressive tax, and the reality of our poor people is that, they gradually part with the disproportionately high percentage of their income to food. They have little left to spend on other things, including luxury items. This is contrary to what the Honourable Minister of Finance seems to believe that people generally spend their money on things other than food. It shows how out of touch he is with the reality on the ground.

We are talking here, Madam Speaker, about our low income earners and the poor. About 72 per cent of paid workers in Fiji earn less than the income tax threshold and are included in this group. This situation, Madam Speaker, is worsened if they are to pay tax for basic food items. They are basically on survival mode with no meaningful wage increases over the years, leaving on the edge only to be penalised further with VAT to be charged on basic food items.

It is a day of shame for all of us, Madam Speaker, if Government further imposes its will to the people by shackling them with the \$3.9 billion Budget for 2016 as FijiFirst has done with the Appropriation Bill, and then they wack them again by slashing zero rating on basic food items, without even questioning

this impact. Following the 20 per cent devaluation of the Fiji currency in 2007, prices increased by 36 per cent while income for most remained relatively the same. It brought some joy, Madam Speaker, to hear that VAT would be reduced to nine per cent but this joy was short lived, however, as the true extent of the deception was revealed to all of us.

HON. A. SAYED-KHAIYUM.- Madam Speaker, I rise on a Point of Order

HON. RO T.V. KEPA.- The Government intended to impose....

MADAM SPEAKER.- A Point of Order.

HON. A. SAYED-KHAIYUM.- Madam Speaker, a remark was made earlier by you about gestures being made for people to stop pointing, Honourable Tikoca is doing this to me from there. I just want to know where the standards are going to go by. I mean, if pointing is going to be wrong, then should this be wrong, (gestures) how far are we going to take it?

(Chorus of Interjections by Opposition Members)

HON. A. SAYED-KHAIYUM.- I have raised it the moment it arises, not three days later.

MADAM SPEAKER.- Can I ask Honourable Tikoca for his comments on that?

HON. RATU I.D. TIKOCA.- Everyone here and the whole of Fiji sees him in the video that he does that to all of us. Why should it be me now? Come on, he does that to every one of us here.

HON. A. SAYED-KHAIYUM.- I have never done this before.

MADAM SPEAKER.- Honourable Members, this debate has been unnecessarily stopped because of actions by Honourable Members - disrespectful actions and we have young people sitting in this House who are witnessing this. Please, this is a respectful House and I will ask Members to maintain and uphold the decorum in this House, pointing by using your hand right now and from now onwards is going to be taken as an offensive gesture in this House and I urge Honourable Members to stop it.

My apology for the interruption, Honourable Leader of the Opposition, the time is not being taken out of your time. Please, continue.

HON. RO T.V. KEPA.- Thank you, Madam Speaker.

The Government intended to impose the nine per cent VAT on basic food items as a trade-off, to partly recover revenue forgone because of the reduction in the VAT rate from 15 per cent to nine per cent.

Madam Speaker, yes, we all know and understand that there will be revenue foregone from the reduction in the VAT rate. We also understand that revenue foregone would have to be recovered from somewhere else, if that is the only option available to Government. We are told, Madam Speaker, that foregone revenue from the reduction in the VAT rate to nine per cent would be \$316 million. This is to be recovered by removing zero rating of VAT on basic food items which would generate a \$108.6 million in revenue. Therefore, Madam Speaker, an additional \$127.5 million in revenue would be generated by increasing the sales turnover tax from five per cent to 10 per cent and the imposition of a new six per cent in environmental levy. A further sum of \$120 million would be generated as revenue from the VAT compliance initiative.

In fact, Madam Speaker, when you do the maths, you will find that a total of \$356.1 million would be raised as opposed to \$316 million being foregone. The Government would be better off, Madam Speaker,

by \$40.1 million, but I do not want Government to think and say that it has limited or no other options. Government, Madam Speaker, must also look at the expenditure side. Regrettably, since the Appropriation Bill has been passed, it is apparent that the Government to curb its demand to spend over the last six years, its total expenditure has increased by 79.9 per cent out of an average annual increase of 13.3 per cent.

This is unsustainable, Madam Speaker, and are unacceptable as it could place severe risks on Government finances if allowed to continue as we can already see that it will. It must therefore, Madam Speaker, look to reviewing and reducing its expenditures, especially in this case as an alternative to compensate for revenue foregone from reducing the VAT rate and keeping VAT on food items zero-rated.

Madam Speaker, it is clear that Government is underspending its expenditure budget for 2015. As at the end of the third quarter, Government had only spent 57.5 per cent of its expenditure budget. At this rate, Madam Speaker, it is highly unlikely that Government will fully utilise its \$3.3 billion expenditure budget for 2015. If this trend was to continue into 2016 which is likely with Government again budgeting roughly the same amount for expenditure at \$3.41 billion, then it can be said, with some justification, that Government is over-budgeting expenditure for 2016. The over-budgeting, Madam Speaker, is also reflected in operating savings that is clearly evident from 2011 to 2015, and now 2016. It is sad therefore, to note that Government expects the people of this country to pay for this deceptive and unnecessary conduct. There is no shame, Madam Speaker, and no conscience.

Madam Speaker, as I have mentioned earlier, my proposed amendment to Bill No. 29 of 2015 for the Minister to make regulations prescribing subsidies for selected basic food items to household with net income of \$12,000 or less.

I commend this amendment to the House, Madam Speaker.

MADAM SPEAKER.- Thank you, the motion is up for debate. Is there anyone who wants to speak on the motion?

HON. RATU S.V. NANOVO.- Madam Speaker, I rise to support the motion put forward by the Honourable Leader of the Opposition in regards to the proposal.

Madam Speaker, as we have already heard during my budget reply two weeks ago, what has happened, the reduction of VAT from 15 to nine per cent, was received by so many people with a welcoming adjustment because all of them thought that with that reduction, they will be able to make some savings on their net take-home pay.

Unfortunately, Madam Speaker, when the assessment was done then, we came to realise that it is not the case because by reducing the VAT from 15 to nine per cent, at the same time, they are imposing that nine per cent to items that were zero-rated before, that will affect the low wage income-earners so much, as compared to those on the other side of the bracket. By that, I mean, Madam Speaker, what they can buy cheaply at this point in time this year, towards the end of the year, from 1st January next year, it will be very expensive for them because of the imposition of the nine per cent VAT from next year.

This year, they might be able to save some of those net take-home pay from their wages, which is currently low at the moment, and they may be enjoying some savings at the moment but when it comes to 1st January next year, with the imposition of nine per cent VAT, that will be a different story. All the savings that they were creating from zero-rated VAT component will be used up in meeting that component from next year onwards, which will end them up down the ladder further. Their net take-home pay will be far much affected so what they will enjoy this year, they will not be able to enjoy next year.

On that, Madam Speaker, we are putting some alternatives to the Government too during our budget debate, why can they not maintain the zero-rated items and just try and pull some allocation from some other

allocation, to patch up that \$108 million that has been lost? They will be looking to replace the amount that has now been taken away, and on that, we are suggesting, if the FRA allocation of \$658 million, \$108 million be deducted to patch up that portion that has been lost and leave the low wage-earners to still enjoy the zero-rated food items that now has been tagged on with the nine per cent VAT from next year onwards. In order for them to enjoy the things that they are going to face next year, we hope that the Government will look into that, leave the VAT zero items as it is this year, and get further allocation from FRA to replace that from next year onwards.

HON. M.D. BULITAVU.- Madam Speaker, I rise to support the amendment proposed by the Honourable Leader of the Opposition. It is very simple, Madam Speaker. Nine per cent will apply to everyone; whether they be wage earner or those not earning anything or receiving Social Welfare Assistance; this will apply to anyone who wants to buy those items that are on the shelves in our supermarkets.

What troubles me, Madam Speaker, is that, the Government in proposing this amendment, to lower the VAT from 15 per cent to nine per cent, they did not provide us with a proper study on the percentage of income earners in this country, and those who do not even earn income.

The issue here, Madam, the items that were zero-VAT which will now be tagged at nine per cent, have an effect on everyone who uses flour; a 10 kilogram flour has increased from \$10.45 to \$12.50, kerosene and other items that are used on a regular basis in any common household, whether you are a village or a farmer, whatever walk of life you are into, this will apply to everyone. For us, even medium income earners, or those who are very up at the higher scale, we will all pay the same price and I ask Government to consider this amendment because it affects everyone. It does not even look into how much you earn so the amendment from what I see, Madam, will benefit the Government as well.

It gives them another option, another idea, another strategy in how to be fair to our people, Government should also see into their lives and welfare and how much they are earning. We are all here, Madam Speaker, as representatives of the people, as legislators, we represent the people and is that not why we are here today, Madam? I plead with the other side to think of the people and support the amendment, thank you, Sir.

HON. DR. M. REDDY.- Madam Speaker, I rise to contribute on the motion put forward by the Leader of the Opposition.

Firstly, the Honourable Ratu Sela Nanovo said that he is asking a proposal to maintain zero-rated items but that is not what this motion is about, so I am a bit confused that he is actually not supporting the motion that is tabled.

Secondly, Madam Speaker, the Honourable Member has suggested that after an assessment was done, they realised that it is not the case in terms of making a savings with the reduction of Value Added Tax, from 15 per cent to nine per cent. Madam Speaker, I am wondering as to when the assessment was done, and how was the research done

Madam Speaker, this is how research should be done in this case. After six months of application of the new tax rates, you would take on a representative sample of a typical low income household as stated in this motion, that says household earning less than \$12,000 in annual income; examine the typical basket that consists of various items, examine the price, being the quantum or the weight of each commodity is taking in that particular typical basket; examine the expenditure made now and compare it with the expenditure that we were making prior to that exchange.

Madam Speaker, they are jumping the gun, they should come next year and present that research report in this House.

Thirdly, Madam Speaker, I wanted to say on this motion, it states the “Minister may make regulations prescribing subsidies for selected basic food items, the households net income is \$12,000 or less.”

Madam Speaker, the Honourable Member should examine all the targeted measures this Government is making or to reduce the actual expenditure, which the low-income households are making. We can audit the last two budgets, at least, the last and this year’s budgets and the proposed one to list down all the targeted measures and segregate by household income tax and say which households will benefit the most responsible target.

For example, no longer households need to pay fares for their children attending schools. These are low-income households below \$15,600 annual income. Like that, there are a number of measures which will take away that typical expenditure, that low-income household is making in a week or in a month. Therefore, with this reduction overall of 15 per cent to nine per cent, those items, where their spending has been made by typical households, those expenditure will be reduced significantly and will offset those where their spending on these basic food items that is being raised from zero to nine per cent, so that people like myself, Members in this House, the accountants, lawyers, et cetera pay tax, to fund these targeted measures for the low-income households. Thank you.

MADAM SPEAKER.- Thank you. I call on the Honourable Dr. Biman Prasad.

HON. DR. B.C. PRASAD.- Madam Speaker, I want to make a very small contribution on this. I think the motion by the Honourable Leader of the Opposition is intended to provide some discussions to the Honourable Minister of Finance in terms of looking at the most poor and the vulnerable in our society who would be impacted, as quite rightly pointed out by the Honourable Leader of the Opposition in terms of the imposition of the nine per cent VAT on basic foods items.

I think the motion in some ways are being helpful to the Government that even if one goes by what the Honourable Minister for Education said that we may need time to look at the basket, find out exactly what is happening. This motion may give the Ministry of Finance room to make adjustments for the following year.

Madam Speaker, one last point I want to make is, as a country, we are moving towards reliance on more indirect taxes. Roughly, only about 32 per cent of our revenue from taxes comes from direct taxes like Income Tax or Company Tax but about 68 to 69 per cent of our revenue comes from indirect taxes. There are a lot of other indirect taxes which impact on everyone but usually, it impacts more on the poor and the schedule over the world shows that those on the lower income, the percentages vary. Those on the lower income usually spend a larger percentage of the income on basic food items and basic household essentials. Even if you take away those six items and add the everyday essentials for households, you will find that those on the lower income, probably spend 60 to 70 per cent of their income on basic foods and household items.

It is always an idea (and this is not an issue that is only affecting Fiji, I mean, they are all with issues about income and inequality can be very limiting to the potential of households, people, a country) and our job as legislators or lawmakers is to ensure that we are always mindful of how any tax change is going to impact on the most vulnerable and the poor. Therefore, in support of the motion, let me say again that the intention is really to help the Government and the Honourable Minister of Finance may find that this amendment will be useful for him to address some of those issues further.

MADAM SPEAKER.- Thank you. Honourable Aseri Radrodro.

HON. A. M. RADRODRO.- Thank you, Madam Speaker.

I rise to speak in support of the motion and the intentions of the motion are very good. To put it simply, for a household who is earning a net of \$12,000 a year, tax is like \$1,000 in a month, \$250 a week. Currently, even with the zero rating on basic food items, a purchasing power of a consumer, what they usually buy at \$100 then, the quantity is very less now and adding the VAT to the basic food items again further limits the purchasing power of a normal person who is earning a net of \$12,000 a year.

To put it simply, if the Government has provided subsidies for bus fares, taxi fares, school fares, this is the simple request; if they could also put a subsidy for the household net income of below \$12,000. That would also assist them and basically, it is the poor people of this nation who are facing difficulties already in terms of their purchasing capacity. Some used to buy basic food items, rice on a weekly basis or on a monthly basis, now they have reduced the quantity just because the price has gone up or will be going up. Even at the zero rating, they even limit their shopping for groceries and quantities on a regular basis because they simply cannot afford and therefore, Madam Speaker, I fully support the motion before the House.

MADAM SPEAKER.- Thank you. Honourable Nawaikula.

HON. N. NAWAIKULA.- Madam Speaker, I wish to make a brief point in relation to my support for the amendment to the motion.

The motion is saying that giving the power to the Minister to make regulations so that he can make subsidies so that at any time, it is fair that this is exempted, that he can do that. This is very, very important otherwise, the law will be locked into this until we come back here. You must give out this question to the Minister, to be able to attend to the day to day needs. It is very important in relation to this, given that 30 per cent or 31 per cent to be specific. All the population of Fiji are poor and you cannot just compartmentalised things.

If you look at, for instance, an indigenous community who are living in villages, for sure these people will supplement what they did from buying the essentials. They plant their *tavioka* and everything and what they need, and what they use their money for is on kerosene, sugar, e cetera. So, giving that power to the Minister allows him in such event, to exempt things that are necessary.

Father Kevin Barr, as we all know, has come out very, very strongly against this. He said that given the fact that 72 per cent of us live below the tax threshold, that is a very big indication that there is a need for this - that we give a lot of power.

We do this all the time. It is not the first time you should give power to the Minister to administer his Act according to changing situations otherwise, what we will be doing is to lock everything up within a law and again, we have to come back here, go through the whole process, whereas we should give him the liberty to conduct things as are required.

Madam Speaker, I support the amendment to the Bill.

MADAM SPEAKER.- Thank you.

HON. DR. M. REDDY.- Madam Speaker, I want to make two comments against the motion. First is, Madam Speaker, the primary objective of this House is to make legislations, and legislations based on solid research.

Madam Speaker, it is quite dangerous for Honourable Members on the other side to make policy suggestions without doing solid research.

HON. A.M. RADRODRO.- I rise on a Point of Order, Madam Speaker. According to the Standing Order, a Minister cannot make representation on a particular motion twice.

MADAM SPEAKER.- Thank you, that Point of Order is correct. You have already used your 20 minutes, therefore you cannot speak twice on a motion.

HON. V.R. GAVOKA.- Thank you, Madam Speaker.

I rise in support of this motion as it clearly gives the power to the Minister or to the Government to make adjustments along the way over the next 12 months or so, instead of coming back and making it law through Parliament.

Madam Speaker, if you look at the way our economy is growing and also at the classical measurement of the economics like we have before us, GDP for next year according to the Budget, is going to be \$9.5 billion or around that figure. Over the last two or three years, we spent \$2 billion on roads, which, in any language, is quite admirable.

We are going to have a gleaming new airport at Nadi. So much in this country is showing that this country is growing and some of us can say that it is also peace. However, what is happening is that, while a number of our people are benefiting from this economic development from all these huge spending which is mostly driven by public spending, we cannot deny the fact that also a good majority are living below poverty line. It is an established fact. So, really we will continue to have to address this and this gives the power to the Government to address these matters when they come up.

One of the dangers about the way we talk about economics here, Madam Speaker, is that we use classical measurements, GDP percentage to debts and all those things and we please the IMF. The World Bank gives us high ratings and all that, but we miss out on behavioural economics - how is it affecting our people. This is the danger, we are too driven by the classical way when we are talking about economics and you know when we talk classical, it is very impressive. The danger is that, we will miss out on how it is affecting our people. This is why the Government should be able to respond to any situation with what we are suggesting here. Like we have said, the experienced in this field are saying that this country has two people now - the "haves" and the "have nots".

This Bill will enable the Government to raise the standard of the have nots in the event it becomes critical, Madam Speaker, so I think we should consider this and give it our support. Thank you, Madam Speaker.

MADAM SPEAKER.- Thank you. I now call on the Honourable Minister.

HON. A. SAYED-KHAIYUM.- Thank you, Madam Speaker.

Madam Speaker, as I had mentioned in my Budget Address, we had the figures run through by the RBF because they are the ones who run the Consumer Price Index (CPI) and they have a basket of goods that they always measure the CPI against. As I had also mentioned on 6th November, if we take the basic food items and the basic food items are not only the six things that have been listed there, there are other things that are included in that. However, weighed heavily more on those six items that are currently VAT exempted, by the way sugar is not VAT exempted, sugar has VAT on it.

The overall cost of food to be taken on those few items will reduce by 0.4 per cent, but if you look at the overall CPI without the duty reduction being taken into consideration, it reduces the overall cost of living by 4.5 per cent. So, there is no way that the price or the cost of living will go up, even at the food level taken on those items and even the overall cost of living, it will all go down without taking into account the duty reductions. Some of the duty reductions are quite significant, as we have noted.

The other point, Madam Speaker, is that there are a couple of issues also as we highlighted and one of the reasons for this is that by having the VAT applied across the board on those items, you are actually creating a simplified taxation system. Most people will tell you that when you have a simplified taxation system, the cost of compliance reduces but also the ability to make sure that compliance is greatly adhered to increases significantly and this is very critical because when you have a uniform tax across the board, it stops people from stealing from within the system.

So, they are the three key drivers behind this taxation reform and as the Honourable Minister for Agriculture highlighted earlier on and also mentioned by the Honourable Minister for Education that there are a number of significant initiatives undertaken by the FijiFirst Government that helps reduce the burden of cost of living for the ordinary Fijians. As we move now and as we had discussed yesterday with Honourable Radrodro that FEA now is also income tested or means tested. The water is means tested, electricity is means tested and medicine is means tested. So, all those people who we are concerned about as we ought to be concerned about in this House, they are all being directly targeted and assistance is being given to them.

The other anomaly I want to remove is, they are saying that the investment in Fiji is driven by public spending, no. We have highlighted that in the past couple of years 19 per cent of the 25 per cent is actually by the private sector. It is not primarily driven by Government. Yes, it was a few years ago, but because of the confidence level, the private sector is now driving the investment level in Fiji.

I know Father Kevin Barr has said previously that VAT should be reduced to 10 per cent and I have noted (and I stand to be corrected, Honourable Nawaikula) that unless Father Barr has made a couple of savings in the past few days, but the fact is, he always talked about 10 per cent. But again someone like him, through his network, we are providing assistance for example, to those people in Lagilagi, in Jittu Estate. Those people now have better housing conditions, they will in fact, in a few years' time, get to own their own properties. At the moment, if anyone bothers to go around to Jittu Estate, I suggest to you to go and visit Jittu Estate. If you see the road that we have put up there, we have one group that are in living in this house that have been constructed and they have their own units and on the other side of the road, which is yet to be developed, you see all these people living in very squalor conditions. Those people, in about 18 months' time to two years' time will have their own flats, will have concrete homes and not be sharing latrines. Those types of conditions are also being improved and those conditions are also equally important, Madam Speaker.

So, I would suggest again that we obviously are not going to support this particular amendment, but we urge Honourable Members of this House to support the substantive motion that is before the House. Thank you.

HON. RATU K. KILIRAKI.- Thank you, Madam Speaker. I have a simple concept to this motion and I support it when I put myself in a family from the village, to be able to have a flat taxation for all from the richest to the poorest is not fair, in terms of VAT. So, when you have a basket and you buy the same amount, basically for the seven items, in terms of the packet, the envelope, the household from the village will be more penalised and I want to express that word "penalised". They are penalised because we want to classify them on the same taxation as the rich. Then that is what the nine per cent increase that greatly impacts on the poor people.

There is no valuation done to be able to justify the imposition of the nine per cent VAT according to when you go to the grassroots level, and I usually talk about people in the villages, who can only plant one square chain or two square chains of ginger or even *dalo*. The reality is, they come to the market with three bundles of *dalo* and basically take home about \$100 a week. Then we talk about transportation in the carriers, they buy their basic food items like sugar, milk and you talk about protein from the shop. They will go for the cheaper items, so they buy noodles and you talk about NCDs. In the bigger picture, it is more burdensome to the nation in terms of health, all the expenses that are generated by this kind of tax imposition.

So, in other words, to be more positive, you should go down and be more preventive,. I am talking from that perspective, Madam Speaker, not so much on the technical issue of the tax but about my daily experiences in living with the poor people in the village.

MADAM SPEAKER.- I give the floor to the Honourable Ratu Isoa Tikoca.

HON. RATU I.D. TIKOCA.- A supplement to that explanation, Madam Speaker, the poor men's menu or dinner for example is curry *baigani*, before there was no VAT. In the village, tuna is nine per cent in that meal, oil nine per cent, roti/flour nine per cent, tea nine per cent, and if you put sugar in your tea, milk *sa gai sega sara*. I am talking from the poor men's perspective.

(Inaudible interjection)

I also lead villagers who come under my command and I talk on their behalf. Do you understand that? You may not, so that is why it is very important that we look at things in such detail, only then we can appreciate what the poor men are suffering right now.

MADAM SPEAKER.- Thank you. I call on the Honourable Minister for Health.

HON. J. USAMATE.- Madam Speaker, first of all, I would like to point out that you do not get any protein from noodles so you should advise the people who are buying noodles that they should not buy it.

(Chorus of interjections)

They are not forced, you always have a choice.

(Chorus of interjections)

Let me make this clear, Madam Speaker, especially if you are talking about villagers in Naitasiri (and I am part Naitasiri myself being brought up in Naitasiri) you can always plant *bele*, *baigani* (eggplant), tomatoes in your backyard garden. People can plant those vegetables. This is what this Government encourages.

The Honourable Tikoca talked about the components of a meal and what goes into a meal but I think that is being pity myopic, you need to look at the whole life of a person. People at the lowest level of the socio economic strata, the way they use their money is not limited meal by meal. You need to look at all the things that contribute to the cost of their total life. You should not just be focusing this meal and that meal, you need to look at the cost of their total life.

(Chorus of interjections)

The amount of money that is spent on transportation, health, water, the wages that they get and now we have introduced the National Minimum Wage...

(Chorus of interjections)

...you need to look at the impact of all of those changes that we are talking on the lives of people. I can promise you that the FijiFirst Government is focussed in making sure that we can build better lives for everyone.

We are talking about the amendments to this taxation system, to make sure that we can collect taxes easier.

(Inaudible interjections)

When the Government collects taxes better in an easier manner, it is able to spend money to improve the lives of people like that. We have targeted interventions that have been talked about by the Ministry of Social Welfare. We are now assisting people at the lower levels of the socio economic strata to develop small businesses.

(Chorus of interjections)

So when you are looking at these amendments, you look at the cost of the total life, not pin-point small components of people's lives but look at the total impact of all the suggestions because this Government is focused on making sure we can help everyone's lives.

(Inaudible interjection)

You are talking about inequity, inequity is something that is happening right across the globe, it is not something that is only happening in Fiji.

MADAM SPEAKER.- Order, order!

(Chorus of interjections)

And this Government is putting into place, progressive systems...

MADAM SPEAKER.- Order, order!

Honourable Minister, I think you will reduce interjections if you address the Speaker.

HON. J. USAMATE.- All I am trying to say, Madam Speaker, is that the FijiFirst Government is focussed on trying to provide a better life for everyone. If you look at the interventions that are taking place, you will need to look at them holistically and not only focus on certain components.

Thank you, Madam Speaker.

MADAM SPEAKER.- I will give the floor to the Honourable Minister for Tourism.

HON. F.S. KOYA.- Madam Speaker, the Honourable Minister for Health is 100 per cent correct, it has to be looked at in totality. I will be very short so I really hope that the rest of the Honourable Members from the other side of the House have actually read this.

(Chorus of interjections)

Madam Speaker, this is the very problem, they do not listen. Please, a little bit of silence, maybe you will learn something.

(Chorus of interjections)

Madam Speaker, the Government assistance which are provided for poverty alleviation are the:

- Poverty Benefit Scheme;
- Child Protection Allowance;
- Social Pension Scheme;

- Food Voucher Programme;
- Women Plan of Action;
- Integrated National Poverty Eradication Programme;
- Welfare Graduation Programme;
- Fiji National Council of Disabled Persons;
- Capital Grant to Voluntary Organisation,
- Grant to Girls Homes;
- Fire Victims Relief;
- Bus Fare Subsidy in respect to education;
- Free Medicine in respect to health;
- in respect to the Department of Housing, the Housing Assistance for First Home Buyers;
- Lagilagi Housing Development Project;
- PRB Project;
- Squatter Upgrading & Resettlement Programme;
- HART Programme
- Housing Authority Social Policy;
- Town-wide Informal Settlement Upgrade Project;
- Sustainable Income Generating Project;
- City-wide Squatter Upgrading Project;
- National Housing Implementation Plan;
- Small & Micro Enterprises (SMEs);
- Housing Authority Matavolivoli Development Project;
- Prime Minister's Office Education Fund for Needy Children;
- Strategic Planning Office's Northern Development Programme; and
- Ministry of Education's Toppers and Tertiary Education Loan Scheme (TELS) Scholarship Programmes.

Madam Speaker, they fail to do this all the time, it has to be looked at in totality. What is happening is that, the poor people will not suffer. With all of these programmes in place, the actual cost to them is much lower than what they are previously. So, please stop twisting it.

MADAM SPEAKER.- Thank you. I now give the floor to the Honourable Karavaki.

HON. S.D. KARAVAKI.- Madam Speaker, I rise to support the motion that is brought before the House. The motion is very simple, Madam Speaker, it suggests that there should be an amendment.

The Minister may make regulation prescribing subsidies for selected basic food items to households whose net income is \$12,000 or less. This is to give the power, the authority. This motion is actually to support good governance because if there is no law or authority to give the Minister or the Government to carry out any activity under this suggested motion, then it is open to abuse.

Laws are made, Madam Speaker, to ensure that when an activity or action is taken to be carried out by the Government, there is a legal basis on it. This is actually to help the Government because if it is not, the Government will come running back to Parliament in order to pass a law to enable it to carry out something that it has not power to do so, but this gives the legal basis to it. It is actually something that should be accepted and supported by the Government, Madam Speaker.

HON. N. NAWAIKULA.- Hear, hear!

HON. S.D. KARAVAKI.- We are simply putting up this motion because in adverse situations like a natural disaster or if something occurs that is unforeseen and there is a need to address that situation quickly, we need the shortest route possible to address that situation.

The poor people suffer so bad that they need to be assisted quickly, and Parliament is not sitting. We know there is a provision there for Parliament to be summoned quickly in urgent situations, but that would not be necessary if this provision is in there. It gives the Government the avenue to act and address something that should be addressed as soon as possible. It is a matter life and death.

This is a very simple motion, and to talk about all the things that had been said in this House is totally unnecessary, Madam Speaker. This is based on good governance and the Government looks at it and says that we are doing something that is good and that the Government should actually support because it is good for everyone. We are talking about everyone, all citizens of this country and that is what we are here for, to ensure that we make laws that are based on good governance and always be there to give us the authority to act in the way that we should be responsible to the people and to the nation.

That is, Madam Speaker, the reason why I rise this morning to support this motion and I believe on that basis, the Government should be thankful to it, not only because it comes from the Opposition but it should support it because the merits and substance of it is good, and if the Government is very serious on good governance, it should support it.

MADAM SPEAKER.- Thank you. I give the floor to Honourable Draunidalo.

HON. ROKO T.T.S. DRAUNIDALO.- Madam Speaker, I wish to support this motion and very briefly give the reasons why. I hear, through you, Madam Speaker, that it was said that all of the programmes that the Government have for the poor will offset that.

Madam Speaker, previous Governments have also had programmes to help the poor, but they have had this part of the VAT exempted for the poorest people in this country. That is why we support it because the prices will rise immediately by nine per cent. We do not have to wait for a study, as was suggested by the Honourable Minister.

We heard during the Committee of Supply, Madam Speaker, that even very wealthy countries exempt basic supplies for their poor.

Madam Speaker, if wealthy countries can give that to the poor in their country, who are relatively much more well off in terms of basic wages and other support that they get from their Government, why can the Government of Fiji that has this \$3 billion budget not give the poor in our country, who are far worse off relatively, basic items to be exempted instead of taxing it by nine per cent?

Madam Speaker, I was going to say that I find it quite ironic that the FijiFirst Government is known to have power in various legislation and decrees, so much power that they even have ouster clauses and support ouster clauses to take away power from other arms of the State but here, we have an amendment motion to give them power for the benefit of the poor and they do not want it.

Madam Speaker, I only want to say a little bit on that to say, in giving this power and suggesting this motion, the Opposition is giving it an understanding, hoping and trusting that the Government will exercise the power prudently because businesses also require certainty and so we trust that the discretion will be used prudently.

Madam Speaker that is why I support the motion, to give the Government power to exercise that power for the benefit of the poorest people in our country when it is required and when the studies come in for the Honourable Minister for Education.

MADAM SPEAKER.- Thank you. I now give the floor to the Honourable Salote Radrodoro.

HON. S.V. RADRODRO.- Madam Speaker, VAT, as we all know, is a regressive tax which means that you are taxed according to your income. In my Budget response last year, I had spoken strongly against the tax in which I had given a very simple example. For a bar of soap, we will all buy at the same price; all of us sitting in this Parliament, those in the gallery and everyone regardless of which level of the structure you are sitting in, in the community.

So, even though it is a very common and easy way for Government to collect tax, it always affects the poor very badly because in my view, it is an unequal tax. It is an unfair tax because it taxes everyone on the same level and it taxes everyone regardless of your ability to pay, as I had alluded to in the very simple example I had given in terms of our buying capacity. That is why when VAT is being introduced, Government must always be very mindful of how it is going to affect the poor sector of our community and it is our social responsibility to ensure that this poor sector, as we have heard from other speakers, almost 70 per cent of them are below the \$16,000 tax threshold.

HON. MEMBER.- 72 per cent.

HON. S.V. RADRODRO.- So, it is a very big portion of our community.

As I had alluded to during the Budget debate, while we progress with our development in particular the infrastructure development, we must always balance it on how we look after the poor sector of our community.

I had also mentioned and I moved motions that we need more for the Social Welfare Benefit Schemes because their buying capacity has been reduced because of the removal of the zero rate on basic food items.

If the Government had reduced VAT to nine per cent and maintained the zero rated VAT exempted on food items, there is quite a balance but the fact that the Government has reduced VAT, it is also good but on the other hand, it has taken away VAT from the zero rated basic food items, it really does not improve anything on the poor. However, it has a lot of positive impacts on the richer component of the community because the nine per cent tax affects those at the upper level, middle level and similarly at the lower level on the same level. That is why I had said, even though the Government is saying we are equal, we are not equal as far as VAT is implemented.

The VAT highlights the economic inequality that exists in our community and it will also push those who are already at the poor level of our community further down. So, if we are really concerned about those at the poor level, then we should try and bring them up. As I have said, VAT tax at nine per cent is alright but it is not alright to remove the zero-rated VAT items. So, if we are really concerned about the poor, then the Government should try and bring in some kind of balancing act in terms of its tax collection to be able to still maintain our social responsibility and moral obligation to look after this sector of our community.

MADAM SPEAKER.- I now give the floor to the Honourable Veena Bhatnagar.

HON. V.K. BHATNAGAR.- Madam Speaker, we repeatedly hear that the poor will suffer and the poor are suffering but, Madam Speaker, this Government cares and the ultimate truth is that, the overall reduction in VAT and duty deductions or zero duties of so many other items will definitely reduce the overall cost of living. This is the ultimate truth, and in addition, Madam Speaker, water subsidies, electricity subsidies, poverty benefit schemes, free medicine and so many other programmes mentioned by the Honourable Ministers - the bus fare subsidies to the poor plus other programmes, means a lot more savings for the poor. That means overall, the poor man is benefiting and not losing because this Government cares.

MADAM SPEAKER.- I will now give the floor to the Honourable Dulakiverata.

HON. J. DULAKIVERATA.- Madam Speaker, I rise to support the motion, and the motion is very simple. The items that we are talking about were not charged VAT before, now they are being charged VAT. So, there is no distinction between the poor and the rich. Now, the poor will become poorer and disadvantaged.

Madam Speaker, in my reply to the budget, I mentioned that the taxation system should be transparent, simple and fair, but this is not fair. I think there should be a distinction between the rich people and the poor people. I would like say, Madam Speaker, that I have a very good friend, and he is my hero, his name is Jesus Christ.

HON. MEMBERSS.- Amen!

HON. J. DULAKIVERATA.- His taxation is very simple, he uses ten per cent. He depends on your earning power. If you earn \$100, you pay tax on \$10. If you earn \$10, you pay \$1, simple as and fair.

MADAM SPEAKER.- I give the floor to the Honourable Seruiratu.

HON. LT. COL. I.B. SERUIRATU.- Madam Speaker, this is exactly what the new taxation system allows, it is fair and transparent,

HON. S.V. RADRODRO.- It is not fair.

HON. LT. COL. I.B. SERUIRATU.- It is fair, when we have zero-rated

HON. A. SAYED-KHAIYUM.- Listen!

HON. LT. COL. I.B. SERUIRATU.- The rich benefit from it as well.

HON. A. SAYED-KHAIYUM.- He's got to be grateful!

HON. LT. COL. I.B. SERUIRATU.- This is just one particular item, food.

HON. A. SAYED-KHAIYUM.- Ask the Minister.

HON. LT. COL. I.B. SERUIRATU.- One of the biggest concerns in the family is education. While they are spending on food, but they do not have to worry about the education.

(Chorus of Interjections)

Before the Honourable Member walks out, he mentioned about his hero and the same hero in the *Bible* said, "You will always have the poor with you". But it also mentioned our responsibility to the poor and the Government is doing its best to address the needs of the poor.

(Inaudible interjections)

We underestimate the people in the rural areas, Madam Speaker.

Let us get some facts from Rural Banking at ANZ and BSP. There is a lot of competition now because we are reaching out to the un bankable and this gives us some facts about the growth in the rural areas as well. We can always come back to this House and the Honourable Leader of the NFP did state in his speech the other day "if you cannot measure, you cannot manage." Let us come up with proper studies and proper surveys, and then relook at the decisions that we have made. We are doing enough for the poor people and we are always concerned about the poor, so this budget is for the poor.

HON. A. SAYED-KHAIYUM.- *Vinaka, vinaka!*

HON. LT. COL. I.B. SERUIRATU.- Thank you, Madam Speaker.

MADAM SPEAKER.- Before we continue, we have here with us in the public gallery, parents, teachers and students from Nabitu Primary School in Nadroga.

(Applause)

A very warm welcome to all of you students. I now give the floor to the Honourable Natuva.

HON. CAPT. T.L. NATUVA.- Madam Speaker, Happy Birthday!

MADAM SPEAKER.- Thank you.

HON. CAPT. T.L. NATUVA.- I do not support the motion, but I only want to focus my comments to my *kaivata*, the Honourable Kiliraki. Whenever the other side mentions about the poor, they always say "poor farmers". There are not supposed to be any more poor farmers. I live with the farmers and I drink grog with them every day. Where I live, they earn about \$250 to \$300 a week, it is no longer \$100 or \$50.

(Inaudible interjections)

If the *iTaukei* people are finding difficulty living in urban areas, they should go back to the village and farm their land. That is where the money is.

HON. GOVT. MEMBERS.- Hear, hear!

HON. CAPT. T.L. NATUVA.- So, when people are talking about the poor farmers, there are not supposed to be any poor farmers anymore. We have to work on it and especially for the *iTaukei*, we have to change our mindsets and go and farm our individual land in order to get the revenue. The programme that is being given by the Ministry of Agriculture is enough for us to become rich farmers. There will no longer be any more poor farmers in the future, so I challenge that idea. When coming to this Honourable House, forget about saying "farmers are poor, - we are rich!"

Thank you, Madam Speaker.

(Applause)

MADAM SPEAKER.- I give the floor to the Honourable Balmindar.

HON. B. SINGH.- Madam Speaker, I rise to support my side of the House on what is being debated this morning, we have been hearing that for quite a long time. I thought that I will also contribute to the tax reform.

Madam Speaker, we need a tax code that encourages economic and employment growth, continues to reward equal and hard work and expends the marginalised Fijians. This means we have lessened the inequality among all from taxations.

As a nation, Madam Speaker, we have established certain fundamental principles and priorities - protecting the safety, security and health of our citizens, ensuring the right to a world class education, providing vital public services and preserving the dignity and basic comfort of our elderly and all individuals who take opportunities in life.

Madam Speaker, therefore. the values that this tax system reform summarises with 3 principles - opportunities, fairness and simplicity. Madam Speaker, the FijiFirst embarks in our vision for Fijians to believe that this Government never puts a limit on the success and wealth of the individuals Fijians.

With those words, Madam Speaker, I do not support the motion that is before the House.

HON. OPP. MEMBER.- You support!

HON. B. SINGH.- I do not support.

MADAM SPEAKER.- Thank you, I give the floor to the Honourable Kumar.

HON. P. KUMAR.- Madam Speaker, when the Honourable Minister of Finance announced the reduction on VAT, the Opposition was just shocked.

(Inaudible interjections)

HON. GOVT. MEMBERS.- Still shocked.

HON. P. KUMAR.- They were saying before the budget announcement that this will be increased to 20 per cent. These are the same people who said that VAT will be increased to 20 per cent, they cannot deny that.

(Inaudible interjections)

Madam Speaker, when VAT was introduced, there was no free education for the school children...

(Chorus of interjections by Opposition Members)

There was no free busfare for the school children

(Chorus of interjections by Opposition Members)

HON. P.B. KUMAR.- There was no housing assistance, there was no increase in social welfare, there was no free medicine, I can name it, Madam Speaker. The problem here is, this is the face saving motion for the Opposition, so when they go out of this Chamber, they will have something to say to the people because the ordinary people matters to this Government. This is the only Government who has got the will to do such thing. Thank you so much, Madam Speaker.

HON. N. NAWAIKULA.- Madam Speaker, I rise on a Point of Order.

MADAM SPEAKER.- Point of Order.

HON. N. NAWAIKULA.- Madam Speaker, The issue of an amendment is expanding the power of the Honourable Minister. We have done that, we have gone past that, and that has been decided, so can you please leave it to the proposed amendment ...

MADAM SPEAKER.- Order!

HON. N. NAWAIKULA.- ... which is to empower the Honourable Minister.

MADAM SPEAKER.- Order, the Point of Order is on the rules and procedures of the House and not on the content of a speech. Thank you, the Point of Order has been addressed.

HON. P.B. KUMAR.- Madam Speaker, I was just about to finish.

MADAM SPEAKER.- You have finished, thank you.

HON. P.B. KUMAR.-I have not finished.

(Chorus of Interjections)

MADAM SPEAKER.- You had said, “ Thank you very much, Madam Speaker.” I give the floor to the Honourable Prem Singh.

HON. P. SINGH.- Please sit down.

(Laughter)

Madam Speaker, I intend to bring some fresh air to this debate.

HON. GOVT. MEMBERS.- (Chorus of interjections)

HON. P. SINGH.- On one side, Madam Speaker, the Honourable Leader of the Opposition’s motion is simply seeking to empower the Honourable Minister that in his own wisdom, he may consider reducing or making zero VAT away from the zero rated items. That is the Leader of the Opposition’s motion. We have gone past the VAT, we have gone past the discussion that means at the cost of repetition remind the Honourable Minister that reduction of VAT was the original idea of the National Federation Party (NFP).

HON. OPP. MEMBERS.- Hear, hear!

HON. P. SINGH.- At some point in time, they must acknowledge that.

HON. GOVT. MEMBER.- No, it was one of our options.

HON. P. SINGH.- Thank you, the proposal came from us.

Madam Speaker, coming to the substantive matter, in reality the argument advised by the Government and rightfully by the Honourable Minister for Industry and Trade that this should be waived against what the Government financial stimulus package is.

Madam Speaker, to ease the whole understanding, if I may request the Honourable Minister of Finance to quantify the value of the stimulus package against the increase of nine per cent, not only in zero-rated consumables, but also on the whole range of products, whether the bus fare subsidies, the tuition subsidies and others match the corresponding increases.

Madam Speaker, in 10 years’ time, the urban Fijian population will rise to about 65 per cent to 70 per cent for various reasons and this will all be factored in how we deliver to the rural sector. In so doing, Madam Speaker, in saying so when people move to the urban centres the argument advanced by the Honourable Minister for Health that they go back to their villages, plant lots of *bele* and other green vegetables, they will not have enough land to plant in urban centres. If ones goes around Suva, you see very few *bele* plants around and this will be a feature in the next 10 years. So, we will have to depend on commercial agriculture. We know that the Government’s programme on commercial agriculture has not

affected many people. It ensures that the two people who graduated were from urban centres and they also left.

This is something that is food for thought for the Honourable Minister, to look at but if you look at six months down the line, it will all be too late. What the situation, Madam Speaker, now is, in response to what the Honourable Dr. Reddy said, we have lit the fire and now, we are running to dose it off. I compare this to when Rome was burning and the mad Emperor Nero was fiddling, this is exactly what it is. So, Madam Speaker, I support the motion that the Honourable Minister in his own wisdom, is taking into consideration the various argument that have been advanced, makes certain regulations to ease the direct impact that these increases on basic food items will have on the entire population, not only the rural people. Thank you, Madam Speaker.

MADAM SPEAKER.- Thank you, I now invite the Honourable Alvick Maharaj to have the floor.

HON. A.A. MAHARAJ.- Thank you, Madam Speaker, happy birthday.

MADAM SPEAKER.- Thank you.

HON. A.A. MAHARAJ.- Madam Speaker, it is not that the Opposition do not understand, it is that they do not want to understand about what the impact is going to be on the people by the reduction of six per cent VAT. Since this morning, we are only hearing about nine per cent increment. None of the Opposition is talking about the six per cent reduction. They need to see the holistic picture, if there is an increase, there is a decrease always and we have to balance it out. The balancing in this one, the poor are going to benefit.

The way the Opposition are talking, the poor people is not their agenda, their agenda is a political agenda. Why it is a political agenda because cameras are operating today, Madam Speaker, they want to show the people that they have been talking to this Government about decreasing the food items, about their decrease of nine per cent in the food items. It is a political agenda, they want to go back and talk to their people.

HON. N. NAWAIKULA.-Madam Speaker, I rise on a Point of Order.

MADAM SPEAKER.- Point of Order.

HON. N. NAWAIKULA.- Madam Speaker, I rise on a Point of Order. We were asked during the debate on the need to expand the powers of the Honourable Ministers, not on VAT in general, we have gone past that.

MADAM SPEAKER.- Honourable Member, you have 20 minutes and you can say that particular item within that 20 minutes. Please continue.

HON. A.A. MAHARAJ.- Thank you, Madam Speaker. They want to go back and talk to their people about this nine per cent increment on basic food item. They need to understand, if we make roti, we need to have curry with it. Madam Speaker, before mutton, chicken all those things, they used to have 15 per cent VAT on it. They have been reduced by six per cent so in entirety....

HON. OPP. MEMBERS.- What are you talking about? We do not understand what you are talking about.

HON. A.A. MAHARAJ.- As we say, the Reserve Bank index with their stats has already informed that there will be a four per cent reduction, 4.5 per cent reduction in people's spending. Things like kerosene,

if we have kerosene, but we cannot afford a kerosene stove where we are going to cook that roti and where we are going to cook that rice?

(Laughter)

There is so much of distraction from the Opposition, Madam Speaker, because they know that we are talking right, they know that people understand what we are talking about. If they are so concerned, we have always said we focus so much on education, our population is very educated. Live it to the people to decide what is the benefit they are going to reap by six per cent reduction on all the items. Thank you, Madam Speaker.

(Applause)

MADAM SPEAKER.- I now invite Honourable Lorna Eden to have the floor.

HON. L. EDEN.- Thank you, Madam Speaker and happy birthday.

MADAM SPEAKER.- Thank you.

HON. L. EDEN.- Madam Speaker, to continue on from the Honourable Alvick Maharaj, he is correct, Madam. We have to look at the big picture and we have to get out of this little grocery basket that we are talking about, but why are we talking about the grocery basket?

That basket is not only filled with basic food items. I think it is insulting to think that the poor people do not use deodorant, they do not use sanitary pads. We must remember too that those items have been reduced in duty and in VAT. There is a saving, we have to look at the big picture and we cannot be concentrating on VAT, on the basic items going up. We also have to remember that VAT has gone down and the duty also has gone down as well. Thank you, Madam Speaker.

MADAM SPEAKER.- I now invite the Honourable Vadei to have the floor.

HON. A.T. VADEI.- Madam Speaker, I rise to support the proposed amendment put forward by the Honourable Leader of the Opposition. At the outset, I would like to say, Madam Speaker, that the proposed amendment is unprecedented, it has never been done before.

When I was told that the Honourable Leader of the Opposition was going to move the amendment, I said to myself, “Is she okay, is something wrong with her sense of listening” and that is when it hit me? What it means to be here, what it means to represent the people, what it means to be a responsible representative of the people because as Opposition, we are equally responsible for the welfare of our people, whether you are there on that side of the House or you are here on this side of the House, we are equally responsible to the people. The Government of the people, by the people and for the people.

Madam Speaker, this is unprecedented, it has never been done before, and that is the true meaning of unprecedented, unfortunately, the other side has been misusing the term “unprecedented”. I can understand why, nevertheless, if they want to be unprecedented, they should support the amendment. It is an early Christmas present and Merry Christmas to everyone, and I support the amendment, thank you, Madam Speaker.

MADAM SPEAKER.- There being no other input, and I now invite the Honourable Leader of the Opposition to present her right of reply.

HON. RO T.V. KEPA.- Thank you very much, Madam Speaker, before I begin, I would just like to greet the people from the gallery, *ni sa muju cola vina, cola vina na vi mei ma, vina vlevu.*

Madam Speaker, I would like to thank all those who have contributed to the amendment that we have before us. Altogether, there were 14 from our side, the Opposition and 11 from the other side, so that is 50 per cent of the House. I know that in their hearts, the Government is also supporting this amendment, and of all those who spoke from the other side, Madam Speaker, I really want the Minister for Education, although he is just coming in now, to have a second bite at the cherry which you should have allowed him to do. Although it is against the Standing Orders, but I do thank them for also speaking and I know that they support this amendment.

Madam Speaker, we note the Honourable Minister for Finance's proposal to reduce VAT and we have spoken very strongly on this side of the House, on the Appropriation's Bill debate and under the VAT issue which we are offering solutions to, giving the discretionary powers to the Minister.

As has been said from the other side of the House, we know, Madam Speaker, that the poor will always be with us. That is why, Madam Speaker, we are proposing this amendment.

Madam Speaker, this will also contribute in some way into what the Minister for Health is very concerned about and that is the rate of NCDs in the country, which was 83 per cent and we hope that with this zero-rating, it can contribute somewhat in the prevention of NCDs.

Madam Speaker, we urge the Minister and the House to carefully consider and support our amendment, which is being offered with a sincere intention that instead of a win-win for politicians, it is a win for all of us, and especially, the poor and those who are living below the poverty level, who have not got a voice to speak up and to be heard in this House.

The people for whom we serve and are accountable to and for whom we have just robustly interrogated the Budget for, as a measure of ensuring that their taxes are spent in the most cost-effective and impactful way for them.

Already, Madam Speaker, all of us in this House have been inundated with calls envisaged from concerned taxpayers on the removal of zero-rating and we are obligated to try and seek a way forward that gives the Minister the prerogative option or discretionary power to offer subsidies if they hear directly from the people that the removal of zero-rating on basic food items is having an adverse impact.

Again, Madam Speaker, we table this amendment hopefully, being hopeful that with the compassion from the Honourable Minister of Finance and in his wisdom and that his conscience will compel us all to do what is right, I thank you, Madam Speaker MADAM SPEAKER.- Thank you. Parliament will now vote and the question is, that the Standing Orders be suspended to allow the motion on the Consequential Bills be debated, voted upon, and do pass, that the House takes into consideration the amendments proposed by Honourable Gavoka and the Honourable Leader of the Opposition which were circulated earlier today.

Question on amendment put.

Votes Cast:

Ayes	:	14
Noes	:	25
Not Voted	:	9

Proposed amendment defeated.

MADAM SECRETARY-GENERAL.- Consequential Bills.

MADAM SPEAKER.- Pursuant to the Resolutions of Parliament on 6th November, 2015 and this morning, I now call on the Honourable and learned Acting Prime Minister and Minister of Finance to move his motion.

**RESUMPTION OF DEBATE ON THE
2016 BUDGET CONSEQUENTIAL BILLS, 2015**

HON. A. SAYED-KHAIYUM.- Thank you, Madam Speaker.

Pursuant to the Resolutions of Parliament on 6th November, 2015 ...

HON. V. GAVOKA.- Madam Speaker, I also have an amendment.

MADAM SPEAKER.- Yes, the motion that was put forward by the Honourable Leader of Opposition reads as follows:

“To move the suspension of Standing Orders to allow the motion on the Consequential Bills be debated, voted upon and do pass, and this august House takes into consideration the amendments proposed by the Honourable Viliame Gavoka and myself which was agreed earlier today.”

So, both amendments were taken into consideration in the last debate.

HON. A. SAYED-KHAIYUM.- Thank you, Madam Speaker.

Madam Speaker, pursuant to the Resolutions of Parliament on 6th November, 2015 and this morning, I move:

That the following Consequential Bills be debated, voted upon and be passed;

- 1) A Bill for an Act to amend the Service Turnover Decree, 2012, Bill No. 24 of 2015;
- 2) A Bill for an Act to amend the Tax Administration Decree, 2009, Bill No. 25 of 2015;
- 3) A Bill for an Act to amend the Stamp Duties Act, Cap 205, Bill No. 26 of 2015;
- 4) A Bill for an Act to impose an Environmental Levy and Prescribe Service Turnover and for related matters, Bill No. 27 of 2015;
- 5) A Bill for an Act to amend the Airport Departure Tax Act, 1986, Bill No. 28 of 2015;
- 6) A Bill for an Act to amend the Value Added Tax Decree, 1991, Bill No. 29 of 2015;
- 7) A Bill for an Act to amend the Customs Act, 1986, Bill No. 30 of 2015;
- 8) A Bill for an Act to amend the Customs Tariff Act, 1986, Bill No. 31 of 2015;
- 9) A Bill for an Act to amend the Excise Act, 1986, Bill No. 32 of 2015;
- 10) A Bill for an Act to amend the Fiji Revenue and Customs Authority Act, 1998, Bill No. 33 of 2015;
- 11) A Bill for an Act to amend the Medical Products Decree 2011, Bill No. 34 of 2015;

- 12) A Bill for an Act to amend the Pharmacy Profession Decree, 2011, Bill No. 35 of 2015;
- 13) A Bill for an Act to amend the National Fire Services Act, 1994, Bill No. 36 of 2015;
- 14) A Bill for an Act to amend the Ship Registration Decree, 2013, Bill No. 37 of 2015; and
- 15) A Bill for an Act to amend the Tertiary Scholarship and Loans Decree 2014, Bill No. 38 of 2015.

HON. LT. COL. I.B. SERUIRATU.- Madam Speaker, I beg to second the motion.

MADAM SPEAKER.- I will now call on the Honourable Acting Prime Minister and Minister for Finance to speak on his motion.

HON. A. SAYED-KHAIYUM.- Thank you, Madam Speaker.

I will speak very briefly on all these Bills. The Service Turnover Tax Decree 2012 was introduced in 2012 for the imposition of tax from the turnover prescribed services. The Decree came into force on 1st January, 2012, was later amended in 2012 and 2015. The STT is largely applicable on services which are not consumed by ordinary Fijians. The 2016 Budget changes to STT Decree include; an increase in the rate from five per cent to 10 per cent; and introducing a taxable threshold for bistros, coffee shops and restaurants. Introducing anti avoidance provisions and clarifying that non-consumption services at hotels such as ATMs are not subject to STT.

Madam Speaker, as far as the clauses of the Bill are concerned, Clause 1 of the Bill provides the short title and commencement date. Clause 2 of the Bill amends Section 3 of the Decree in order to change five per cent to 10 per cent. This means the service turnover tax will be levied at the rate of 10 per cent on turnover services prescribed in the schedule.

Clause 3 of the Bill amends the Decree by inserting a new part to deal with the avoidance for service turnover tax, more to do with compliance. Clause 4 of the Bill amends paragraphs 10 and 11 of the Schedule to the Decree to reduce the threshold from \$1.5 million to \$1.25 million and Clause 4 of the Bill also amends paragraphs 12, 13 and 14 of the Schedule to the Decree, so the annual gross turnover threshold is deleted. Clause 4 also deletes paragraph 16 of the Schedule to the Decree.

Madam Speaker, that is the service turnover tax. As far as the Tax Administration Budget Amendment Bill is concerned, the Tax Administration Budget Amendment Bill, seeks to amend the Tax Administration Decree. For the effective administration of tax laws, the administrative provision of various laws have to be consolidated into one law and was there in 2009. To further enhance the law, the following will be undertaken with effect from 1 January, 2016, Fiji Revenue Customs Authority (FRCA) will now issue Tax Compliance Certification for compliant taxpayers and the Government will also ensure that all public sector tenders are awarded to our tax compliant bidders, so people who put in tenders for Government work, must have a certification from FRCA that they are tax compliant.

There have been a number of taxpayers who have absconded without paying taxes and previous governments have had to write off these as bad debts. We will now be able to reinstate and collect in cases where taxpayers have the economic ability to pay so. Some people have sort of migrated from Fiji and have gone off and that has been written off. Now, some of them are coming back as citizens again and we know that the liability is there. This gives FRCA the ability to claim that tax back rightfully which is legally owed. Businesses also inflate expenses to create losses- now such abuse of loses will be penalised. TIN or tax Identification numbers will now also be a compulsory requirement for the registration of titles, Public Trustee, licensing agencies, and all Government agencies and professional bodies.

This would automatically encourage a culture of tax compliance so that no one can obfuscate or bypass the system when they are going through, say the Public Trustee. Also, the law will be amended to provide administrative mechanics for the lodgement and payment of tax amnesty whereby no penalties will be imposed, if taxpayers settle their tax affairs and pay taxes by 31st December, 2015 and the local asset declaration tax amnesty as per the 2016 Budget Policy.

Madam Speaker, as we have done, as you know that we gave an amnesty for people who had assets offshore and now we know, after the amnesty period, we have had over \$0.5 billion worth of assets that have been declared.

What we are saying now is that, in the income period from now until the end of the year, if people come forward and they have been hiding assets locally within Fiji those that come forward, there will not be any liabilities on them but at least, they become on our books and also there are a lot of people who owed taxes and have not paid, we are saying that if you come now and pay all your liabilities, there will not be any penalty charge, as long as you pay the full sum.

Clause 1 of the Bill, Madam Speaker, provides a short title and commencement date.

Clause 2 of the Bill amends Section 2 of the Decree to include a definition of Tax Compliance Certificate; who just have to say what it is.

Clause 3 amends Section 31 of the Decree, to allow for the reinstatement of bad debts.

Clause 4 of the Bill amends Section 33 of the Decree by deleting \$5 and substituting \$10, which is the nominal amount, the threshold amount.

Clause 5 of the Bill inserts a new section 33A in the Decree for the re-raising of debts to allow for the reinstatement of bad debts that have been written off provided the CEO is satisfied the debt is economically viable to recover and the taxpayers financially takeover for repaying the debt.

Clause 6 of the Bill amends Section 38 of the Decree by increasing the number of institutions which must ensure that every person has a TIN number.

Clause 7 of the Bill amends the Decree by inserting new sections after Section 46 to provide penalties to persons who make false or misleading statements that fall under non tax shortfalls and penalties to persons raised under the Value Added Tax (VAT) Decree 1991.

Clause 8 of the Bill amends the Decree by inserting new sections after Section 48A to allow for the waiver of tax during the amnesty period for local assets and the waiver of penalty for failure to file a tax return and pay tax required by a tax law.

Clause 9 of the Bill amends Section 112 of the Decree by inserting a new subsection under subsection (3) to ensure that the Tax Agent Board prepares and publishes by notice in the gazette a code of conduct by which the tax agent must comply with. As you know, a lot of these people who claim to be tax agents, some of them are doing some funny business so this is a code of conduct for the tax agents.

Clause 10 of the Bill amends section 114 of the Decree so that tax agents comply with a code of conduct, the failure of which will result in the cancellation of their licences.

Clause 11 of the Bill amends Part II of the Decree by inserting a new Division after Division X to make provisions for the issuance of a tax compliance certificate.

Madam Speaker, the Stamp Duties Budget (Amendment) Bill seeks to amend the Stamp Duties Act. The 2016 change for the stamp duty will achieve a number of objectives. Firstly, we have to ensure that SMEs and crop liens are not subject to stamp duties. This, of course, is facilitating farmers who may want to get crop liens and we are talking about expanding crop liens. Generally crop liens in Fiji is only restricted to sugar cane farming. Now as we know, we have *yaqona*, *dalo* and various other crops and we want to be able to get the financial assistance in those industries so people who may want to take crop liens- it is an asset.

In Fiji, agriculture is not being seen as an asset, your product is not seen as an asset, with this, it allows for that. But we are saying that if we have to do a crop lien, you do not have to pay stamp duty because you want to encourage the agricultural sector. At the same time, this particular amendments seeks to put in place anti avoidance provisions, to deal with those that scheme to avoid paying the correct amount of stamp duty.

Secondly, is to harmonise current stamp duties on transferred vehicles. All new first time for registration vehicles will also be subjected to stamp duty progressively.

Thirdly, the assignment of trademarks, finance leases, loan agreements including related party loans will be subject to stamp duty with the exemption of all personal loans. This is required, given the new financial product development that have been introduced in the market.

Clause 1 of the Bill provides a short title and the commencement date.

Clause 2 of the Bill, Madam Speaker, amends Section 4A of the Act to empower the Chief Executive Officer (CEO), subject to such conditions that he or she considers necessary, to waive or refund the whole or any part of stamp duty payable in respect of any instrument, provided the waiver or refund does not exceed \$10,000. If the waiver or refund exceeds \$10,000, the Minister for Finance then may, subject to the provisions, consider the waiving.

Clause 3 of the Bill amends the Decree by inserting a new part to cater for the avoidance of the stamp duty payable.

Clause 4 amends Part 1 of the Schedule of the Act, so that new registration of vehicles is subject to stamp duty according to the engine capacity of the vehicles, so the bigger the vehicle the more you pay. Deeds of Assignment of trademarks are also subject to stamp duty at the rate of three per cent of the value of the trademark. Finance leases or loan agreements are also subject to stamp duty, excluding personal loans not exceeding \$10,000.

Madam Speaker, what we have seen is that, a lot of the companies in Fiji have intercompany loans and what they do is, they do a simple Deed. So, we have seen some hotels and business owners from offshore, they may transfer a \$5 million loan and they simply get stamped as a Deed with a stamp duty of \$10. So, what we are saying obviously, the other people will go through a normal system to a bank to pay the normal stamp duty. So, even intercompany loans must pay stamp duty, but of course, not excluding personal loans in excess of \$10,000.

Clause 4 of the Bill amends Part 2 of the Schedule to the Act to exempt any small and micro enterprise with an annual gross turnover not exceeding \$500,000. So, those people who are in the small and micro enterprise businesses with turnover not exceeding \$500,000, they do not pay any stamp duty. Crop liens of course, are also captured under this.

Clause 4 of the Bill deletes paragraph 1(4) of Part 3 of the Schedule to the Act, so the provision is restricted to first time home buyers in Fiji who are Fiji citizens. So, we have obviously, tried to capture that because we do not, for example want people doing double dipping into it.

Madam Speaker, the Environmental Levy Bill, as highlighted by the Leader of Government, there have been some amendments made to this Bill. The amendments are such that Clause 7 of the Environmental Levy Bill made reference to the Income Tax Act, given that the Income Tax Bill 2015 is to be debated by Parliament in this session of Parliament, after this debate on the Consequential Bills, the minor amendment to the Environment Levy Bill is to reflect the new law rather than the Income Tax Act.

Clause 7 of the Environmental Levy Bill is amended by deleting 108 and substituting 102 and these are the technical quotes and by deleting Income Tax Act and substituting with the Income Tax Act 2015.

By way of background, Madam Speaker, the Environmental Levy Bill provides for the imposition of a levy on the turnover of many prescribed services. These services are prescribed in the Schedule which has, as we have stated earlier on, where ever you have STT that is where the Environmental Levy will apply to.

So, Madam Speaker, Clause 1 of the Bill provides to the short title and commencement.

Clause 2 of the Bill provides the definitions of terms used throughout the Bill.

Clause 3 imposes the actual levy of six per cent and of course, Clause 4 of the Bill provides for the payment and returns of the levy.

Clause 5 of the Bill provides for the registration of accountable persons with the Commissioner and Clause 6 of the Bill deals with anti-avoidance of the levy.

The Airport Departure Tax Amendment Bill, Madam Speaker, it is a minor amendment. Essentially, what it does is that, it says that in accordance with our obligations under the Diplomatic Privileges and Immunities Act and as a member of the United Nations, Clause 2 provides for the formal inclusion of diplomats and UN passport holders to the list of those people who are exempted from paying airport departure tax. These are various conditions that we have under the diplomatic and privileges immunity. So, all these does is a one line amendment to say the people who are diplomats under the Diplomatic Privileges Immunities Act and also are holders of UN passport will be exempt from paying departure tax.

The Value Added Tax, Madam Speaker, in the Amendment Bill, there are, as highlighted by the Leader of the Government, some amendments that are made to this Bill which is with all the Members of the House.

Clause 2 of the Bill is amended in paragraph b (i) by including the words and deleting and substituting and deleting paragraph b (ii) and substituting with deleting paragraph (b).

To ensure that VAT inclusive fees charged on other amounts prescribed in any law are reflective of the many changes in VAT under the Value Added Tax Decree 1991, the following amendment is made to the Bill.

Clause 6 of the Bill is amended by inserting a new paragraph (b) which inserts a new subsection to Section 88 of the Value Added Tax Decree which is as follows:

Paragraph 7 – where there is an increase or decrease in the percentage of VAT under the Decree such increase or decrease in the percentage of VAT shall apply in respect of any VAT inclusive fee charged or any other amount under any written law.

What this, Madam Speaker, does by way of background, the key policy change in VAT is a reduction in the rate from 15 to nine per cent. It is also to remove distortionary and regressive effect as well as to avoid

abuse by suppliers. VAT will now apply on six items as we have highlighted and discussed before including kerosene and medicines that are currently zero-rated.

To mitigate the passing of this VAT to the lower income ordinary Fijian as a privilege, government will increase its social assistance that is already done and also for example, the inclusion of those who are up to the age of 66 and maintain its free medicine, free education, et cetera, policy.

However, Madam Speaker, in order to make the VAT a lot more fairer as we discussed I think quite a lot is that, on the targeted assistance now including, for example, electricity. We have also highlighted the overall impact in the reduction of VAT from 15 to nine per cent and I do not want to further extrapolate on that. Of course, as we have said, that apart from the six items the VAT reduction will go on all other items in Fiji that currently has VAT. Every single thing will be reduced from 15 to 9 per cent, Madam Speaker. Of course, the reduction of the tariff rates as we will come to later will also have a significant impact on the pricing of these items.

Madam Speaker, we also have now the ability to collect all VAT that we now give because of the uniformity.

Clause 2 of the Amendment Bill, Madam Speaker, amends Section 14 on the Decree by deleting reference to 15 per cent and substituting it with nine per cent.

Clause 2 also amends Section 14 in the Decree by including items under concession code 111. So, artificial parts of the body and corrective glasses et cetera, are not subject to VAT. They continue without VAT and in fact some of these new items there will no longer be any VAT on those items.

Clause 2 further amends Section 14 of the Decree by removing items under subsection 4A(b) which will now be subject to VAT.

Clause 3 amends Section 15 in the Decree by deleting reference to 15 per cent VAT and substituting the nine per cent.

Clause 4 adds a new Section 70C which makes provision for film production companies under film incentives to be entitled to VAT refund under the Decree like any other business.

Clause 5 amends the Decree by inserting new Section 72A which makes it an offence in instances where a registered person under the Decree fails to sell goods or services at prices which reflect the decrease in the percentage of the VAT. We have seen this happen before where, for example, when duties are reduced we do not have the merchants passing that on to the consumers. Similarly, we are concerned that come 1st January, 2016, we do not want some shopkeeper to actually not reduce VAT. They have to reduce the VAT on the item.

We are also keeping a very close watch at what FRCA is doing and the Consumer Council of Fiji as we found previously what some merchants do. If they know that a particular price of an item is going to come down by law, they will actually increase it before that particular time. So, then they will absorb that and the increase cost comes to them also. So, we are keeping a close watch and this will make it illegal for them to do that.

Clause 6 amends Section 88 of the Decree in regards to the imposition of tax provided that where there has been a decrease in the percent of VAT charged or chargeable, any charge, fee or amount prescribed or determined under any law in respect of any supply of goods services is deemed to be decreased by that percentage.

Clause 7 amends paragraph two is the first amendment to the Decree by inserting “excluding residential apartments which provide hotel like accommodation and facilities.”

Clause 8 amends the second Schedule to the Decree by deleting paragraphs 17, 24 and 25 and 30 relating to the supply of electricity up to the value of the first \$30 of monthly supply.

Clause 9 amends the fourth Schedule to the Decree, to state that the licence under paragraph 4 expires on 31 December each year.

Clause 9 also provides the annual licence fee payable must be paid by 7th January each year however, where new licenses are issued during the year the fee payments will be adjusted accordingly.

Madam Speaker, the Customs Amendment Bill again, as you know, I did highlight a number of provisions regarding Customs itself. I will go straight into the actual clause of the Amendment Bill. Clause 1 of course, is a short title commencing provision.

Clause 2 amends Section 2, the principal Act by deleting the definitions of “dispute”, “Duty suspension scheme” and “exports club” and inserting the definition of “customs dog”. We are going to introduce customs dogs now.

Clause 3 amends Section 8(2) of the principal Act by deleting paragraph ‘h’ which makes reference to “duty suspension scheme”, because now we have reduced this zero-rate duty on all raw materials. You no longer have to have the duty suspension scheme which is very, very bureaucratic. The people have to pay duty in some instances and then go and claim it back with the Fiji Export Council, does not make a return. Now we have zero-rated all those duties. So, there is no need to go through that laborious process.

Clause 6 amends Section 37 of the principal Act by including requirements of compliance with occupational health and safety standards and the National Fire Authority of Fiji for the purpose of licensing a bonded warehouse. We found that some people have bonded warehouses. They are not actually complying with OHS standards. So obviously, if we are going to have a bonded warehouse we need to make sure that it is OHS compliance which will include also fire compliance. So, I will go through all of them very quickly.

The Customs Tariff, Madam Speaker, this, of course, will reflect all the duty reductions as stated in the Bill as to where these reductions will take place, and let me go on to the next Bill. These, of course, include a whole heap of items under Clause 3 to Clause 5.

Under the Excise Budget (Amendment) Bill; again, this reduces and reflective of the various increases in price on alcohol, tobacco and cigarettes and the carbonated beverages and carbonated drinks. The FRCA (Amendment) Decree allows for the protection of the informer. We have a lot of people coming across as informers, dobbing on other people, so to speak, colloquially and now this gives them the protection and a possibility of some reward.

Medicinal products; this essentially allows the positions of Chairperson and the Deputy Chair of the Fiji Medicinal Products are not restricted to the PS and Chief Pharmacist respectively because now, the Minister for Health can actually appoint as we talked about procurement. You cannot have interested parties involved in procurement nor for the medicinal purposes, that is, what this is primarily for.

Pharmacy profession where essentially, the insertion of a new paragraph to mandate pharmacies approved by the Board to participate in the Free Medicine Programme. You do not have the option, if you want to get a pharmacy licence, you must also work with the Ministry of Health to provide free medicine.

National Fire Service; it amends the Act where it exempts small and micro-enterprises, whose annual gross turnover is satisfied by FRCA to be no more than \$500,000 from paying any fees or charges, so they will be exempted.

The Ship Registration Decree (Amendment) Bill, Madam Speaker, is in respect of the ability to now import boats that are more than 20 years old, as long as they meet with the various standards. We have seen that many shipping companies are able to bring ships from offshore from places like Canada, where the boat has been completely overhauled retrofitted and so we should allow that because the previous Act said, any ship older than 20 years cannot be allowed. Now, we are saying, "can be as long as it meets with the standards"- the hull thickness and all of that.

Last, but not least is the TELS (Amendment) Bill which now essentially includes the definition of student by those who are in the workforce also. As you know, some people in technical colleges, we also want them to get TELS so this gives the legal authority to have them to get TELS.

We also now make an amendment to Schedule 2 so that students with special needs, a lot of them want to now go to University, so they will also be able to get TELS for that.

We have also said that we will allow TELS for Post-Graduate Studies as approved by Cabinet. The Honourable Minister for Health will tell you that we have some doctors who want to get Post-Graduate Studies. They do not necessarily have the money but this will actually allow them so, it is not only restricted to the public health sector, you may have a private doctor operating a surgery in an outlet in Labasa and wants to go for Post-Graduate Studies, they can do that through this particular provision.

So these are the amendments, Madam Speaker. I thank you very much.

MADAM SPEAKER.- Honourable Members, before we continue, we have in the gallery, teachers and students from Natabua Primary School. Parliament welcomes all of you, and we send all our good wishes in your studies.

(Applause)

MADAM SPEAKER.- Do we have a seconder?

HON. LT. COL. I.B. SERUIRATU.- Madam Speaker, I beg to second the motion.

MADAM SPEAKER.- Honourable Members, the motion is now open for debate. We now invite input from Honourable Members.

HON. OPP. MEMBERS.- Do we talk on all?

MADAM SPEAKER.- You have 20 minutes.

HON. N. NAWAIKULA.- Do we pick any one of the Bill?

MADAM SPEAKER.- It is up to you but for 20 minutes.

HON. N. NAWAIKULA.- Madam Speaker, I seek clarification with regard to Bill Nos. 30, 31 and 32 of 2015, which is in relation to its commencement. It says that they will come into force on 6th November, 2015, which was some days ago.

MADAM SPEAKER.- You include that in your presentation.

HON. N. NAWAIKULA.- Alright.

MADAM SPEAKER.- No, no, I am giving you the floor, Honourable Member.

HON. N. NAWAIKULA.- Thank you, Madam Speaker.

Our position has been stated briefly when we debated and in that, we opposed this. So, we note that but the point I wish to raise is, firstly, in relation to these three Bills, the anomalies that can be found in Bill Nos. 30, 31 and 32.

If you look at Clause 1 of each of these Bills, it says that they will come into force on the 16th of November, 2015. I hope there can be an explanation in relation to that, to put this into effect.

Other than that, in relation to the Bill generally, the one that I wish to raise my concern on is the Environmental Bill. I cannot understand the reason for this, I cannot understand why it is called the Environmental Bill. I looked from page 1 to the last page for any reference to the environment, I could not find it. I had thought that it is because the businesses or operations that are referred there is because they use up or are related to the environment, but I could not find it.

Other than that, I had the other feeling that it may be to collect something for the environment but the point I wish to say in relation to how it implies to the hotels was that, before, in the *Qoliqoli* Bill, there was an imposition there, part of the environment that is used up where the environment, for example, the *Qoliqoli* and the scenery, beaches, et cetera, uses up the intellectual property of the native owners that are part of that to go to it. The intellectual property of the indigenous people include the scenery, beaches, et cetera, so from here, I would have preferred that a portion of that should go to them for their own development. That is all that I wish to say.

MADAM SPEAKER.- Thank you. I now give the floor to the Honourable Bulitavu.

HON. M.D. BULITAVU.- Madam Speaker, I gently concur with the Honourable Nawaikula as our stand in the Opposition.

I only have few things to clarify from the Honourable and learned Attorney General and Minister of Finance which is in regards to the Bill, to amend the Stamp Duties Act which I see that the instrument or finance list or loan agreement which excludes personal loans not exceeding \$10,000.

HON. A. SAYED-KHAIYUM.- Inaudible interjection.

HON. M.D. BULITAVU.- That is Bill No. 26.

I do not know how we arrived at the 1.57 per cent stamp duty to be paid but I feel that it is very high. I can see the idea here, that the borrower is targeted to pay stamp duties on applying for loans that are more than \$10,000, which include those who are buying vehicles, house, or even loans that are more than \$10,000. They are the targeted group.

Even new vehicle owners will have to pay stamp duties, subject to the engine capacity of vehicles, the more the engine capacity the more you are going to pay. So, those who have not bought a house and vehicles, they will be the targeted people here. The advantage, as the Honourable Minister had alluded to, is for a small micro-enterprise with an annual gross turnover not exceeding \$500,000, is exempted from paying any stamp duties by way of statutory declaration. However, the policing and monitoring will be very important and I hope the Honourable Minister of Industry, Trade and Tourism will look into that.

Madam Speaker, there are very few people from zero to \$500,000, if a person is given a grant, then he earns to get an income from zero to \$500,000, it will take years so that will not be affected. Although we are putting it in front, the fact that this will benefit small micro enterprises but in fact, the targeted groups are those who do transactions every day, that is, the bankers. Those who go to the bank to loan \$10,000 and above, so the targeted group is in that category and it is not here. A very few people will earn \$500,000 and more in regards to crop and other businesses and ventures that come out of the small micro enterprises. So, you can see there, Madam Speaker, the difference; the targeted group and those that are said to be targeted as an advantage but it will take time for that to be realised.

The other thing that I would like to raise, Madam Speaker, is in regards to the Environmental Levy on prescribed services and turnover related matters. A levy of six per cent will be levied on the turnover for any person conducting a business involving the provisions as prescribed in the Bill (Bill No. 27). This service will include, for example bar, hotels, provisions for meals, beverages and other services, bistros and coffee shops, with their annual gross turnover of about \$1.25 million, Madam Speaker.

The disadvantage, Madam Speaker, is that, the taxpayers will have to bear the cost, if they are going to use these services. They are going to pay for the price of the increase in those services from these providers.

The other issue, Madam Speaker, is that, those within that system and are listed prescribed services, they are going to pay for the Environmental Tax which is six per cent. They also going to pay for nine per cent VAT, so that will be tagged up in the price as well, if we are going to use it, although it will discourage people from going into those areas where the prices are high and they will try to resort into the same services at such a very lower cost, but those who would like those services have to pay more because of the tax levied on those service providers.

Madam Speaker, in support of what the Honourable Nawaikula has said, the prescribed service providers as asking what are they paying the Environmental Levy for? They would like to know what this Environment Levy will be used for.

Those are few of the things, Madam Speaker, that I have identified that needs more clarification on from the Honourable and learned Attorney General and Minister of Finance and perhaps, more into how these legislations can be properly looked into. So, the targeted groups are specifically mentioned and the impact on our people.

Generally, Madam Speaker, the stand of the Opposition is that, we do not support the Consequential Bills that are before the House.

MADAM SPEAKER.- Thank you. I now give the floor to the Honourable Dr. Birman Prasad.

HON. DR. B.C. PRASAD.- Madam Speaker, these are Consequential Bills and I thank the Honourable and learned Attorney General and Minister of Finance for explaining some of these Bills.

As we know, these Bills are designed to give effect to the 2015 Appropriation Bill 2016 and we, on this side of the House, have not supported the Appropriation Bill. Therefore, we will not support these Bills as well. However, in doing so, let me make some comments and perhaps, I seek a clarification from the Honourable and Learned Attorney General and Minister of Finance on one of them.

Madam Speaker, we have said a lot in the Budget debate which also reflected our position to some of the Consequential Bills so I think by posing certain provisions, we have indirectly or directly oppose these Consequential Bills as well. So, we are not going to repeat many of those arguments.

However, on the Service Turnover Tax, as I had said in my response, I think the Government will have to, at some point in time, relook at this and as I had said, our objective right now should be to ensure that the tourism industry surpasses the million tourist mark.

So, we need to put in place all the incentives that are necessary and not put obstacles to what the tourism industry might want to do, and I do not buy the argument of the Honourable Minister of Industry, Trade and Tourism when he said that these tax - the Environmental Levy and the Service Turnover Tax, Madam Speaker, will have no effect on the tourism industry. That was the Honourable Minister's initial reaction.

While I am on this, Madam Speaker, it is unfortunate that the Honourable Gavoka could not speak on his amendment to the Decree of the Environmental Levy because if we were having some debate on that, we would have talked about the tourism industry in general and particular, the benefits to the workers. The Honourable Prem Singh on the other day highlighted that the figures which shows that there is a wide disparity within the industry in terms of what the workers are paid. Some very big hotels pay very, very low wages; some pay wages roughly around \$4 but there is hardly any hotel where you can see that the workers in this industry reflects the kind of tourism earning that we have talked about and in the end, the contribution of the industry to the economy as a whole.

Madam Speaker, on the Environmental Levy, I agree with the Honourable Nawaikula. When we put this kinds of levy for a specific purpose, what the Government is simply doing is using Environmental Levy as a revenue measure. But I thought when we talk about levies, it is always a good thing to earmark some of those revenue derived from a particular levy to very specific environmental conservation management programmes.

Madam Speaker, I think that is important because one of the good products for the tourism industry from Fiji is our environment. We need to make sure that the efforts towards conservation and management of the environment in our touristic areas is always under spotlight and I do not think we can put a spotlight and ensure there is appropriate conservation and management practices. I know there are environmental legislations and the Honourable Minister talked about the environmental council, I know the Ministry of Environment had done a national inventory of natural resources, Madam Speaker, and I was involved in that and those are the good things that they ought to do. However, I think it is about time that we have very, very specific targeted measures, to ensure that environmental conservation and management is appropriately undertaken and I would have thought, therefore, that the Environmental Levy of six per cent, although it is going to add to the cost of the industry, would have been earmarked for that specific purpose because then, the industry would have benefitted from it and would have supported our effort to ensure that our product remains marketable and competitive.

One other issue I had, Madam Speaker, with respect to the Customs Tariff Act where there is a reference, I was not sure what that meant, in terms of the use of Customs dog. Perhaps, if this could be better articulated. However, it says in Section 14 of the principal Act that it is amended by adding the following sub-section after subsection 2 and it says, "Any examination specified in sub-sections (1) and (2) may be facilitated by a Customs dog. I do not know whether facilitated by a Customs Officer with the assistance of a Customs dog, maybe that is a drafting issue.

In conclusion, these are Consequential Bills, we have raised other issues in our Budget response and some of those responses do imply that we are not in agreement with those Bills, so I will leave it there. Thank you.

MADAM SPEAKER.- Thank you very much. Before we continue we have a new lot of students from Natabua Primary School who are in the gallery. Welcome to Parliament.

Thank you, I now give the floor to the Honourable Viliame Gavoka.

HON. V.R. GAVOKA.- Thank you, Madam Speaker. At the outset, let me just express my concern that somehow today the amendment I had proposed to Bill No. 27 was not debated. I know there were some technicalities but let me just say this at this point, Madam Speaker, that twice this year, the Bills we proposed from the Opposition, the Surfing Decree Bill and the Mahogany Bill were found to be incompetent and could not be debated in this House. Today, my amendment of motion could not go through.

Earlier in the year, Madam Speaker, my colleague, the Honourable Karavaki had recommended that we have a special counsel for Parliament.

Thank you for selecting me to be part of the Canadian tour with my colleague, the Honourable Minister for Agriculture, Honourable Viam Pillay and Honourable Nanovo at the legislation of Truro and New Brunswick and Nova Scotia. They are lawyers, Queen's Counsel (QC) who are specifically part of the counsel of Parliament, to help parliamentarians draft their Bills and motions so that there is no incidence of Bills being found to be incompetent, and I think Fiji needs to do this. I believe in the past we had a special Counsel for Parliament and indeed in those legislations, Madam Speaker, QCs do this - the drafting arm of the legislation. They even sit in the Committees understanding how the tone and content of the dialogue and when a Member wants to draft a Bill or put a motion, the Counsel writes it for them. I hope, Madam Speaker, we are taking this into consideration, we all have reasons to state that the Solicitor-General will do it, but what has been seen in the past and what we saw in those legislations in Canada are....

HON. F.S. KOYA.- Point of Order, Madam Speaker.

MADAM SPEAKER.- Point of Order.

HON. F.S. KOYA.- I rise on a Point of Order. I think the Honourable Member is not speaking on the Bill before the House. He is telling us more about the need for a Counsel for Parliament, he needs to stick to talking about the Bill.

MADAM SPEAKER.- Thank you. He has 20 minutes to speak and if he has some background information that he wants to relay before addressing the issue, he is free to do that.

HON. V.R. GAVOKA.- Thank you, Madam Speaker. I think I have made my point here and I know it is their first year, everyone is doing a wonderful job but these are certain things that we need to address as Parliamentarians to ensure that we come up to scratch in the areas where need to be. But again, Madam Speaker, thank you for the trip, we enjoyed it, talking to those people and their esteem held for the people of Fiji was just mind boggling. In every city, the Speaker hosted us to lunch, that is how much they valued us and we have learnt so much from it.

Madam Speaker, I would like to speak specifically on Bill No. 27 – Environmental Levy Bill. If I can just look back into this in terms of what we can do to raise money to help addresses some of the issues that are there and some that have been very contentious.

When I look at this Environmental Bill, I was just asking myself, “Why could we not have made this back in 2006, a solution to the *Qoliqoli* Bill?.” Introduce a Bill like this, if you look at it, it is \$70 million. As I said in many occasions iTLTB pays the landowners about \$61 million a year. This could have solved the problem in 2006. Instead of overthrowing a Government, these are things, as good leaders, they could have sat down together, looked at all the options and come up with something like this. They could have solved what led to the overthrow of the Government in 2006, this could have been done. With goodwill, openness, we could have resolved this issue.

Yesterday, the scholarship issue, which we know will lead to problems in the future, Dr Biman Prasad came up with Means Testing which will enable a lot of poor people (and quite a number of that will

be *iTaukei*) to benefit from Toppers. It is just this kind of dialogue, Madam Speaker, they could have addressed all these things instead of going on race, but we do not want to bring this into the dialogue. But the point I am trying to make is, through goodwill and transparency, let us talk about these matters, a lot of these could be resolved.

Again on the Canadian trip, Madam Speaker, what I learnt mostly was that the way they have managed to manage their diversity. In Canada, you have the French and the English. The way they have gone out of their way to unite the country and yet keep their identities as separate is so impressive. I said, "Why could we not do this in Fiji?" Canada is part of the G7, a very wealthy country, freedom and all that, but they are very careful to look after each other. Whatever is unique to the French, the English respect it; whatever is unique to the English, the French respect it. Fiji should learn a lot from Canada. I came back and I said, "Wow, this is what we need in Fiji – the ability to manage our diversity", but the numerator is there, that we are still one country. We are still Fijians, we are still loyal to each other and all that.

Enough said on that, Madam Speaker, I just wish going forward within what is available here, we look at how best to manage our diversity. Madam Speaker, 6 per cent of the Environmental Levy, I was proposing that we half it and pay half to the hotel workers – 3 per cent to the hotel workers and 3 per cent to the Government coffers. And if you are talking about \$70 million, that is, \$35 million to the hotel workers paid to them very quarter. That was what we had proposed in the amendments. You will remember, Madam Speaker, I was the one who came up with a petition to introduce a service tax for the very reason that the Honourable Prem Singh had brought up, that the hoteliers are not paying wages that we cannot be proud of in terms of what they do for the tourism industry. As you know, Madam Speaker, service tax is paid in Indonesia, Singapore, Malaysia, Thailand, Philippines, Japan, Korea, Maldives and they pay 10 per cent of gross to the hotel workers.

Can you imagine Maldives alone, Madam Speaker, with a population of 300,000 people, tourism at about \$2 billion or \$3 billion, the 10 per cent, how much it means to the people in Maldives. Fiji could have done likewise, we set out the Committee to look into it, but unfortunately my colleagues from the other side killed the petition instead of having dialogue across the general community.

Madam Speaker, I know this is too late now to bring this up, we cannot amend the Bill but going forward, let me ask the Government to think of the hotel workers. They are the front liners. I know my colleague was talking about the International Visitors Survey (IVS) which is a credible survey carried out every year and is done by an Australian company.

Number one, why do you want to go to Fiji? The people.

Number two is the beaches, the physical beauty of the country and all that, but number one is the people.

We need to look after our people in the tourism industry. The resistance to the service bill was that it will make Fiji uncompetitive. I was of the opinion that another 5 per cent would not be an issue. You may remember, Madam Speaker, the uproar from the industry that he was going to kill the industry but now they are saying it will not. Exactly what I was proposing, the 5 per cent is what we are doing now, 9 per cent VAT, 10 per cent STT and 6 per cent Environmental Levy comes to 25 per cent. And what I was proposing through the Service Tax would have brought the same thing - 25 per cent.

So all that talk at that time, they would have persuaded the industry to change. In November, they said it will not kill the industry. Sadly, that is FijFirst for you, Madam Speaker, they change from day to day. If you look at VAT, 9 per cent, 10 per cent, 12 per cent and 15 per cent, we are flattered but there needs to be a lot more honesty in the way we engage. We do not mind if they use our ideas, which in this case they have. It is fascinating the way they have change the message now, that it will not kill the industry. These are important facts, Madam Speaker, Environmental Tax and going forward, I would suggest to the

Government to please think of the workers and when the days comes that we revisit the *Qoliqoli* Bill. There are other ways of doing it as opposed to something that is contentious and divides, there are other ways of doing it without dividing the people. If we had done this, Madam Speaker, \$70 million would have gone to the coffers of the landowners plus \$60 million from the land. We could have found a way to address that “asset rich cash poor” - something we will to continue to share always.

Madam Speaker, that is my contribution I know it will not make any difference to where we are going, but I think it needs to be said and hopefully with FijiFirst, we say it and then it takes them a few months to process it and it comes to pass in the course of time. I hope that happens again next year when they bring in these Bills that they will relook at some of these important issues. Thank you, Madam Speaker.

HON. F.S. KOYA.- Thank you, Madam Speaker. First of all, I would like to just point out a couple of things with respect to the Stamp Duties Amendment Act that was pointed out by Honourable Bilitavu with respect to small to medium enterprises. The actual paragraph has been inserted, it does say that it is any small and micro enterprise with an annual gross turnover not exceeding \$500,000. So it helps those that are earning up to \$500,000, not exceeding.

I think one of the main ones that I really wanted to speak on, Madam Speaker, is with respect to the Environmental Levy and which has been touched upon by few of the Honourable Members this morning. Madam Speaker, the Environmental Levy, with respect to the tourism industry, the growth of the tourism industry is crucial for the Fijian economy being the largest income earner and contributor to our economy. It is important, obviously, to ensure that the growth of the sector does not compromise the environment, and all current and future developments are undertaken in a sustainable manner.

Madam Speaker, the Environmental Levy of 6 per cent is being charged to ensure that all tourism related activities are operating in a sustainable manner and the growth of the tourism industry with the environment is the actual focus or one of the focuses of the tourism development plan. Before discussing the economic instruments to foster sustainable tourism development, it is relevant to have a clear understanding of the sustainable tourism activities. It is widely accepted that poorly managed tourism, Madam Speaker, can actually lead to reduce biological diversity, destroys habitat for wild life and pollute water sources and over-use of valuable fresh water sources and contributes significantly obviously to global warming and leads to also loss of scenic beauty and reduce the pleasure and satisfaction obtained from an unspoilt environment.

Madam Speaker, I would like to give some examples to the House on environmental impact of unsustainable tourism development around the world. These are some things that are important to the whole of Fiji and to the rest of this House. Madam Speaker, in the Caribbean region and the source of this is the United Nations Environment Programme, solid waste and littering, the wider Caribbean region, stretching from Florida to French Guyana receives 63,000 port calls from ships each year. They generate 82,000 tonnes of garbage, Madam Speaker, about 77 per cent of all ships waste comes from cruise vessels and the average cruise ship carries about 600 crew members and 1,400 passengers. On average passengers on a cruise ship each account for 3.5 kilogrammes of garbage daily, and compared with 0.8 kilogrammes each generated by the less well-endowed folk on shore.

Madam Speaker, also in industrial countries Mass Tourism and Recreation are now fast overtaking the extent of industries as the largest threat to mountain communities and environments. Since 1945, Madam Speaker, visits to the ten most popular mountainous and national parks in the United State have increased twelve-fold.

The European Alps Tourism now exceeds about 100 million visitors a day every year, in the Indian Himalayas more than 250,000 pilgrims, 25,000 trackers and 75 mountaineering expeditions climb to the sacred source of the Ganges River and Gangotri Glacier. They deplete local forest for firewood, they trample on riparian vegetation and strew litter and even worse this tourism frequently induces poorly planned land intensive development.

Madam Speaker, we need to protect our environment. Our Honourable Prime Minister champions the course of the environment all around the world. He is now the leader in the Pacific with respect of this and we have got a Green Growth Framework, et cetera, we really need to respect this.

Madam Speaker, the Fijian Government does not want what I have just mentioned to happen to Fiji. We must respect our environment. Obviously, Madam Speaker, we have led the charge in the Pacific with respect to protecting our environment. This tax that is being implemented, if I could just also give a comparison today, Maldives, et cetera, has been mentioned by the House every day since we had started this Budget proceedings. I will just give you exactly what they charge. They charge US\$6 a day per tourist as a Green Tax with respect to the environment, we are no different. You know they talk about a million tourists in Maldives, et cetera, they get charged US\$6 a day as a green tax. This is a start of a great programme and this particular tax is applicable to all the tourists who actually come here.

No Government, Madam Speaker, has ever actually even thought of an environmental tax. We need to remember that we need to live a country behind for the rest of our generations following us. This tax is very important with respect to our policies and it is the Government stance with respect to the environment, as I mentioned earlier on, the Honourable Prime Minister has led the charge on it and we need to respect that. In a way, with respect to the tax, it takes care of the entire environment. As the Honourable Minister for Health pointed out this morning, we do not have a myopic view of Fiji. We look at everyone as a whole, so this particular tax is important to Fiji as a nation.

HON. M.D. BULITAVU.- Point of Order, Madam Speaker. The Honourable Minister for Industry, Trade and Tourism misinterpreted my statement. I did not say that it helps those small business entrepreneurs, it helps them. It takes time from zero to \$500,000, this will target those that earning from \$500,000 and above.

MADAM SPEAKER.- Thank you, we will have the *Hansard Report* noting that correction.

HON. RATU K. KILIRAKI.- Madam Speaker, can I give a layman's comment with regards to the Bill.

Firstly, as alluded to by the Honourable Minister who has just spoken, it is specifically targeted at the tourism sector. As you read the prescribed services in Section 2 of the Schedule, it defines the provision of this levy to the vessels engaged in the carriage of tourists within Fiji and this, I understand, will mostly be around the Yasawas. He also enlightened us on the amount of garbage discharged by the tourist vessels that ply these waters. I concur with the honourable Nawaikula on the vessels that go to the Yasawa Islands as they will be discharging garbage that will end up on the reefs and beaches and that demands compensation to the *qoliqoli* owners and the villagers.

I would suggest, Madam Speaker, that the name of the Bill should change from Environmental Levy to Tourism Environment Levy specifically because the environment is a bigger issue as it encompasses mining, forestry, and fishing.

Now we also have licensed rental motor vehicles. What about the buses? This is also an environmental issue in the public area but that is not described in this particular Schedule on the provision of services. My point, Madam Speaker, is the lack of policing of the 6 per cent and how this levy will be used or utilised as compensation.

There has been talk about the river safaris probably plying the Navua waters. I should mention this because Rewa faces land erosion from the outboards that ply the river every day. How do you compensate that? Not only from the floods in Navua or environmental impact because of weather, but they ply the rivers ever so-often that the waves causes the erosion on site, it affects their potential to develop their agricultural

land and sedimentation at the river mouth which causes flooding, so this is a very big issue. Madam Speaker, if this Bill is specifically for the tourism industry, it should read, "Tourism Environment Levy". Thank you, Madam Speaker.

HON. ROKO T.T.S. DRAUNIDALO.- Thank you, Madam Speaker, I have a very short contribution. I will start with the Environmental Levy. I have heard the Honourable Minister for Industry, Trade and Tourism but I did not see, perhaps he could help us, anywhere in the Bill where it says that the money that will be collected under the law - Environmental Levy will be set aside for a particular purpose of fixing the environment in terms of preserving the environment for tourists.

I believe the levy is going to go into Consolidated Fund and so it is revenue to the State instead of a levy that is for a specific purpose. I have not read it in the Bill, perhaps it is there and I have missed it, but if we are talking about preserving the environment for the future, the future of the tourism industry and for the future of the people of Fiji, then I would have thought that it would have been put into some sort of established fund, a trust fund from which Government can take monies for that specific purpose. I am happy to also point out, Madam Speaker, that someone on the Opposition side, the learned Professor has written papers on this also on levying sectors of the economy to preserve the environment for the benefit of tourism into the future. Again, if anyone wants to read those articles, just let us know and we will pass it on and perhaps that would help them with the Bill a bit more.

Just last two nights ago, Madam Speaker, I moved a motion that the allowance of money into the Environment Programme be enlarged for the purpose of cleaning up the environment and I was talking with particular reference to Suva Harbour and the Parliamentary Committee's site visit to Waiqanake. There are sunken ships in there that are poisoning the Harbour, poisoning the fish and poisoning what is supplied to the capital which houses over 200,000 people - what we eat that comes from the Harbour and everything else, land-based pollution.

It is a very serious problem, and that is why I moved the motion. I did not ask for very much money to be put into the Environment Programme for that. If this money that is being levied here in this Bill were as I said, set aside specifically for that purpose then it would be a reason to support it, but it just goes into Consolidated Revenue and there will be no demarcation of whether the money actually goes to Environment Programmes or other things. I do not have anything to add to the other Bills, Madam Speaker, but I believe the Honourable Shadow Minister of Finance has spoken for me, at least on that.

HON. J. DULAKIVERATA.- Thank you, Madam Speaker. I support the notions that had been given by the Opposition Members who had spoken before me. I repeat that there was no specific explanation on the Bill that the money from this Environmental Levy will be used for improvements to the environment. It is purely extra money to the Government's coffers. I think, Madam Speaker, if we are to address this issue, we must have very strict environmental codes for the hotel developers to allow them to take ownership of this environmental issue rather than charging them extra because we do not know where the money will be spent.

In that regard, Madam Speaker, in my reply to the Budget Address, I mentioned about the Turnover Tax, where we are to increase Turnover Tax by 5 per cent and then again levy a 6 per cent Environmental Levy. The Government is saying that more jobs would be created. How can you guarantee that more jobs will be created if you are taxing the hotels more? The repercussion of that is some workers might be made redundant.

I made the point, Madam Speaker, that hotel workers are already underpaid and they only work fulltime during the months of plenty (which is seven months) and for five months they are either employed at reduced working hours or made redundant. So by increasing the taxation on the hotels would further affect these poor people. Madam Speaker, I concur with all the contributions made by my fellow Honourable colleagues on this side of the House and I do not support the motion.

MADAM SPEAKER.- Thank you.

HON. A.M. RADRODRO.- Thank you Madam Speaker. I just want a brief clarification possibly from the Honourable Minister on the Consequential Bills. I know we had approved the Budget yesterday and these are the consequentials of that Budget. Overall what we note from these proposed Consequential Bills is that there will be a lot more “squeezing” as we call it from this side of the House. There will be a lot more collections made in terms of indirect tax collections.

The first issue that I would like to clarify is the taxation made on the new vehicles. We note that this year there was the introduction of stamp duties on used vehicles when there is a transaction between two parties and then now we see the introduction of a new Stamp Duties Taxation for new vehicles based on cubic capacity (cc).

Madam Speaker, I fail to understand the logic of whether the stamp duty imposed on these new vehicles is intended to improve the number of vehicles or reduce the number of vehicles or is it just a direct consequence of the Budget that was passed yesterday.

However, Madam Speaker, Clause 2.5 of the Explanatory Notes of the Value Added Tax (Budget Amendment) Bill, is one clause that I would like to get assurance from the Honourable Minister regarding the VAT reduction on film production. It specifically says companies that are registered in Fiji, and I wanted to get clarification on those film companies subjected to under this Decree, whether film production only done in Fiji or is it a film production of the whole film. It could mean parts of the film done locally and parts of the film done outside of Fiji. Will this particular VAT refund by the company registered in Fiji only be subjected to refund for productions that were made in Fiji? That is a clarification, Madam Speaker, and I also support this side of the House in not supporting these Consequential Bills.

MADAM SPEAKER.- Thank you. Honourable Minister for Defence.

HON. CAPT. T.L. NATUVA.- Madam Speaker, I understand the other side of the House has been talking a lot about the Environmental Levy Bill, (Bill No. 27 of 2015) but they have to understand that we have a Department of Environment. For next year, if they are worried about how we are going to look after our environment, they just have to refer to the Budget book.

(Chorus of interjections)

HON. CAPT. T.L. NATUVA.- There is more emphasis on the funds that should have gone to the environment, but that has been budgeted.

(Inaudible interjection)

HON. CAPT. T.L. NATUVA.- We are doing that.

Instead of harping on about the Environment Bill, they should be concentrating more about the other Bills. The Government has programmes to facilitate the issue of environment and a budget that looks after those areas. I think the money coming from this will be able to facilitate the programmes with the Department of Environment.

MADAM SPEAKER.- Thank you. Honourable Parveen Kumar.

HON. P.B. KUMAR.- Thank you, Madam Chair. I rise in support of the Bills before us and I hope the Opposition will reconsider their stand in opposing these Bills. I am glad that the Honourable Gavoka is in agreement with the Environmental Levy so that is the good news.

Madam Chair, I just want to touch on two Bills, the first one being the National Fire Service (Budget Amendment) Bill, 2015. The FijiFirst Government has been listening to the plight of the SMEs and their concerns about the cost of starting and doing business. This amendment is basically designed to bring relief to these SMEs. We have been hearing for the last two to three days about assisting the poor and then when we come up with a Bill, we see the Opposition have taken a stand to oppose.

Further, Madam Speaker, this Amendment will encourage the establishment of SMEs since the Government has reduced the cost of starting SMEs, therefore, they are expected to be a huge boom or an increase in the number of SMEs.

Madam Speaker, an increase in the number of SMEs means increased opportunities for employment and economic activities and thus economic growth.

Madam Speaker, I would like to reassure the House that the amendment will in no way compromise the fire safety compliance. The officers of the National Fire Authority will still continue to conduct the fire safety inspections and issue Fire Safety Compliance Certificates for safety compliance. SMEs will now not be required to pay for the relevant inspection fee. The Government has also announced that all fire safety equipment will be exempted from Customs duty so firefighting equipment will be cheaper. Therefore, the Amendment to the Act will mean additional funds for the SMEs to enhance fire safety capacity and compliance in their businesses.

Madam Speaker, on the Ship Registration (Amendment) Bill, 2015, such approvals will not in any way breach the obligation of the State under any convention and its national obligation. Mandatory planned maintenance for all machinery on board, the hull and superstructure are implemented and maintained.

Madam Speaker, we have been listening to subsidies for the last two to three days. This Bill is designed, and I said before in this august House, that we want to encourage the private shipowners to bring in more ships. I have been told yesterday that we are getting one ship from Canada and I have got another information that some of the surveyors from the MSAF have already gone to do the surveys on this ship.

Madam Speaker, this will also increase the connectivity of the inter-island transportation. It will also facilitate economic development within the Maritime Zone and contribute to the national growth and national building.

Madam Speaker, what does this really mean? We need to have more players in this industry. Once we have more players, there will be competition. When there is competition then definitely we will have reduced rates as well. So, I hope the Opposition will change their mind and support the Bills that is before us which will in fact assist the very poor that they have been talking about. Thank you.

(Acclamations)

MADAM SPEAKER.- I give the floor to the Honourable Minister for Health.

HON. J. USAMATE.- Thank you, Madam Speaker. I rise to support the motion that is before the House in terms of the consequential amendments specifically in addition to the one on medicinal products which is Bill No. 34 of 2015. One of the problems that we have had constantly is the problem of having adequate medical suppliers in our facilities.

This Bill will allow us to have an impact on this in terms of making sure that;

- we can source a wide range of products;

- they meet the basic quality assurance, assistance or requirements that we have in this country; and
- when we do provide medicines, they provide the basic level of efficacy and effectiveness.

The other major thing that is coming out of this Bill, if there is one thing that the FijiFirst Government always strongly supports it is the issue of good governance and stronger leadership at all levels. Changing the structure and allowing us to change the people in charge of the pharmacy, I think the Fiji Medicinal Products Board allows us to put in people who can make an impact on this and change our system. So, we can always make sure that there are no stock-outs so we can provide medicines as and when they are required.

The other Amendment Bill here is Bill No. 35 of 2015 in relation to the pharmacy profession. Last year, the FijiFirst Government introduced these free medicines once again, highlighting the focus that it has on helping the lowest income earners, those who cannot afford and those who have the least amount of money available. Now that we have had this, this year we are extending that particular list of medicines that are being made available to people that have salary below the salary cap.

In addition to this, under this amendment it makes it mandatory for all pharmacists to make sure that they stock the free medicine so that people can have an option whether they go to a health centre, or sub-division hospital, or divisional hospital or nursing station, but they also can pick up medications from all the pharmacists around Fiji. That is going to have a direct impact on our ability to be able to service the people in this country.

The third area that I would like to support very strongly is, if there is one area that we always have a constant problem in, it is in making sure that we can develop our medical personnel so that they can receive the qualifications that they need to become specialists. The amendment in the TELS legislation allows people who want to further their medical training and qualifications that they become specialised in certain areas gives them that opportunity, it opens up avenues for us to enhance the quality and the quantity of the people that we have in the medical field.

For these reasons, Madam Speaker, I support the consequential amendments.

MADAM SPEAKER.- Thank you. There being no other input, I invite the Honourable Acting Prime Minister and Minister of Finance to speak in his reply.

HON. A. SAYED-KHAIYUM.- Thank you Madam Speaker. Just a couple of clarifications Honourable Nawaikula had raised the issue about the commencement date. Honourable Nawaikula, if you look at Section 4 of the Customs Tariff Act, it actually allows for the imposition of those tariffs from the date of publication of the Bill, which is on the day of the announcement of the Budget. It has always been done that way otherwise people start playing with the system. So, those provisions are there and in fact in the Excise Act too, Section 23(3) does give you that.

Madam Speaker, a lot has been said but I would just very quickly like to clarify, the Honourable Kiliraki who is not here had said, why are we imposing it on rental cars and not on buses. The whole idea of STT, Madam Speaker, as we can see is essentially for services where ordinary Fijians do not use it. So an ordinary Fijian catches a bus, so we do not want to put STT on the bus service. Yes, we put in on a rental car, an ordinary Fijian does not always go and use a rental car, and they do not always go and stay and eat at an expensive hotel. The \$1.5 million, in fact, the cover threshold for a restaurant, Madam Speaker, that is only about seven or eight restaurants in Fiji. We have now brought it down to \$1.2 million. If you are going to eat at MHCC or at Dolphins, none of them will have STT. Because their turnover is not more than \$500,000 or \$600,000 a year, so where ordinary Fijians use the services, it does not apply to them. For management in terms of compliance and making streamline, the Environmental Levy has been put on those sectors that already has STT. That is for more at the top end of the industry.

The whole issue about Environmental Levy saying, “well we should have used this to top up the salaries for hotel workers because they are perhaps underpaid.” What do we do next? We find that construction workers are not paid well so we impose another levy for construction workers? We find that the next very thing that another sector is not being paid well, do we then impose another levy? The logic does not work. Madam Speaker, the whole idea of collecting levies through a centralised agency which earn them through Government is to ensure that the benefits of that collection of revenue is disbursed to and targeted to those people who actually need it.

In many hotels we can go and argue, I mean if you go to some of the hotels in Nadroga or in the Western Division there are mainly people from Lau and Tailevu working there or other parts of Fiji. What does that mean? The point is that the problem with the wages as the Honourable Gavoka will tell you, right from the 1960s. It is okay to put some villager to open your door and put a nice hibiscus flower and pay them 10 bucks to 30 bucks. That is how the industry started.

So, it is a systemic issue that has been with us for a long period of time and it will be very interesting, and I can tell you, if you look at the salary increase in the past few years, it has been at a much greater rate than would have been in the 1960s and 1970s. We have got now minimum wage, there is an appetite to of course increase that because the logic is that if you collect specifically for the workers then what will the employers do? They will say, “Oh, these people are getting this levy, let us not give them certain conditions.” So, you cannot have levies collected by a central agency just for one sector.

The Environmental Levy has been said to divide people. How will the Environmental Levy divide people? And the Environment Levy, Madam Speaker, is also a public announcement and commitment not just to Fijians but to the rest of the world to say that we place an emphasis on environment. A lot has been said, “How do we know this money is not going to go to the environment?” Look at the increase in the funding to the waste management stations. No one has mentioned about the health levy that has been imposed, we have increased the money that is going to go to the Honourable Minister for Health by a substantial amount. Of course, that is going to fund that. You cannot say that this dollar is going to go specifically there, it comes to Government Consolidated Fund and then it is distributed. That is the logic behind it, Madam Speaker.

Madam Speaker, the other point is regarding the environment. MSAF has various conditions now in terms of how ships need to conduct themselves in terms of oil spillage and some of the members of the Committee will also tell you that. They are supposed to also impose those environmental standards.

The other issue is, Madam Speaker, the point raised by the Honourable Dr. Biman Prasad about the Customs dog. Please look at the definition of it. It is basically saying where Customs actually use the dog. So it is there to say because obviously a dog will sniff, so in terms of the evidence, you have to be able to introduce the evidence by sniffing of the dog so that is why we have to say that. A dog does not operate on its own, it needs a handler.

(Inaudible interjection)

HON. A. SAYED-KHAIYUM.- Read the definition. In the definition of the Bill it says where dog used by Customs. That is what it says.

So, that is just a clarification, Madam Speaker. Overall, the reality is that most of the submissions from the other side are primarily as highlighted by the Honourable Minister for Health is focussed on the Environmental Levy. There are a number of other matters that of course if you look at Bill No. 31, it also talks about removal of all duty on raw materials. It talks about reduction of duty on motor cycles, complete reduction of duty on bicycles and three-wheeler vehicles; duty on testing kits and diabetic strips, on fire safety equipment, removal of duty, any diagnostic equipment duty free lead diagnostic equipment, blood test and other related equipment. Removal of duty on sewing machines, spare parts, consumables such as

buttons, fasteners, needles, zippers and fabrics. Duty on other things like, as highlighted, deodorants and various other related matters. On essential hygiene items such as sanitary pads or undergarments, reduction of duty on all furniture and mattresses imported by religious organisations and schools for the next one whole year. Reduction of duty on wireless modems, reduction of duty in fabrics and baby garments and also a substantial reduction on brand new tyres.

Fiji has had a case of importing second hand tyres. From 2017, second hand tyres will be banned. We want new tyres because we have better roads now, people are driving fast and the radius has been reduced all the way down from 32 per cent to 5 per cent.

These are some of the other aspects of the Customs Tariff Act that is before the floor and, Madam Speaker, as rightly highlighted that these all are ancillary matters or supportive matters to the Budget itself and will give it effect, and I urge Parliament to vote for these Bills. Thank you, Madam Speaker.

MADAM SPEAKER.- Thank you very much for that debate. The Parliament will now vote and the question is:

Pursuant to the Resolution of Parliament on 6th November, 2015, that the following Consequential Bills be debated, voted upon and be passed:-

- 1) A Bill for an Act to amend the Service Turnover Decree 2012 (Bill No. 24 of 2015);
- 2) A Bill for an Act to amend that Tax Administration Decree 2009 (Bill No. 25 of 2015);
- 3) A Bill for an Act to amend that Stamp Duties Act Cap. 205 (Bill No. 26 of 2015);
- 4) A Bill for an Act to impose an Environmental Levy on Prescribed Service Turnover and for Related Matters (Bill No. 27 of 2015);
- 5) A Bill for an Act to amend the Airport Departure Tax Act 1986, (Bill No. 28 of 2015);
- 6) A Bill for an Act to amend the Value Added Tax Decree 1991 (Bill No. 29 of 2015);
- 7) A Bill for an Act to amend the Customs Act 1986 (Bill No. 30 of 2015);
- 8) A Bill for an Act to amend the Customs Tariff Act 1986 (Bill No. 31 of 2015);
- 9) A Bill for an Act to amend the Excise Act 1986 (Bill No. 32 of 2015);
- 10) A Bill for an Act to amend the Fiji Revenue and Customs Authority Act 1998 (Bill No. 33 of 2015);
- 11) A Bill for an Act to amend the Medicinal Products Decree 2011 (Bill No. 34 of 2015);
- 12) A Bill for an Act to amend the Pharmacy Profession Decree 2011 (Bill No. 35 of 2015);
- 13) A Bill for an Act to amend National Fire Service Act 1994 (Bill No. 36 of 2015);
- 14) A Bill for an Act to amend the Ship Registration Decree 2013 (Bill No. 37 of 2015);
- 15) A Bill for an Act to amend the Tertiary Scholarship and Loans Decree 2014 (Bill No. 38 of 2015).

Question put.

There being opposition, Parliament will vote on the motion.

Votes Cast:

Ayes	:	26
Noes	:	14
Not Voted	:	8

Motion agreed to.

(Acclamation)

SECRETARY-GENERAL.- The following Bills:-

- 1) A Bill for an Act to amend the Service Turnover Decree 2012 (Bill No. 24 of 2015);
- 2) A Bill for an Act to amend the Tax Administration Decree 2009 (Bill No. 25 of 2015);
- 3) A Bill for an Act to amend the Stamp Duties Act (Cap. 205), Bill No. 26 of 2015;
- 4) A Bill for an Act to impose an Environmental Levy on Prescribed Service Turnover and for Related Matters, Bill No. 27 of 2015;
- 5) A Bill for an Act to amend the Airport Departure Tax Act 1986, Bill No. 28 of 2015;
- 6) A Bill for an Act to amend the Value Added Tax Decree 1991 (Bill No. 29 of 2015);
- 7) A Bill for an Act to amend the Customs Act 1986 (Bill No. 30 of 2015);
- 8) A Bill for an Act to amend the Customs Tariff Act 1986 (Bill No. 31 of 2015);
- 9) A Bill for an Act to amend the Excise Act 1986 (Bill No. 32 of 2015);
- 10) A Bill for an Act to amend the Fiji Revenue and Customs Authority Act 1998 (Bill No. 33 of 2015);
- 11) A Bill for an Act to amend the Medicinal Products Decree 2011 (Bill No. 34 of 2015);
- 12) A Bill for an Act to amend the Pharmacy Profession Decree 2011 (Bill No. 35 of 2015);
- 13) A Bill for an Act to amend National Fire Service Act 1994 (Bill No. 36 of 2015);
- 14) A Bill for an Act to amend the Ship Registration Decree 2013 (Bill No. 37 of 2015);
- 15) A Bill for an Act to amend the Tertiary Scholarship and Loans Decree 2014 (Bill No. 38 of 2015);

enacted by the Parliament of the Republic of Fiji.

Bills reported with amendments, read a third time and passed. (Act Nos. of 2015).

MADAM SPEAKER.- Thank you very much, Honourable Members. Just to remind you that the students of Ratu Sukuna Memorial School are waiting outside to sing some Christmas carols during lunch.

The Parliament is therefore suspended for lunch and we will resume at 2.30 pm.

The Parliament adjourned at 12.56 p.m.

The Parliament resumed at 2.35 p.m.

MADAM SPEAKER.- Honourable Members, welcome back to this afternoon part of the *Order Paper*, and we will continue from where we left off. I now call on the Honourable Ashneel Sudhakar to move his motion.

INCOME TAX (AMENDMENT) BILL 2015

HON. A. SUDHAKAR.- Madam Speaker, I move:

That the Standing Orders be suspended, to allow the motion on the Income Tax Bill, Bill No. 22 of 2015, to be debated, voted upon and do pass, and that the House takes into consideration the amendments made to the said Bill, as previously circulated to the Honourable Members.

MADAM SPEAKER.- Thank you. Is there a seconder?

HON. B. SINGH.- Madam Speaker, I beg to second the motion.

MADAM SPEAKER.- I now call on the Honourable Ashneel Sudhakar to speak on his motion.

HON. A. SUDHAKAR.- Thank you, Madam Speaker.

On last Monday when I presented my Report to this august House, I had highlighted the work of the Committee and the pertinent aspects of the Bill that the Committee had looked into, and made amendments in the Report.

For the Honourable Members' information, the parts that are to be changed in the Bill (and the Committee invites the House to look into) are marked in colour red, and appears in pink but we call it colour red in the Report, for ease of reference.

The Report and the Bill, attempt to consolidate the laws that were previously dealing with matters such as Capital Gains Tax, Fringe Benefit Tax and Income Tax, together with Business and Company Tax. These are all encompassed in the Report.

There is nothing much for me to elaborate further, it is all in the Report, and should there be any further amendments needed to the Bill, that can be debated upon by this House. Thank you, Madam.

MADAM SPEAKER.- Thank you. The motion is before the House for debate, and I invite input from Honourable Members, if any.

HON. DR. B.C. PRASAD.- Thank you, Madam Speaker, and I thank Honourable Ashneel Sudhakar for his presentation on the Report and some of the remarks he made with respect to the work they did and the importance of this Bill.

Madam Speaker, I have spoken to the Opposition Members on the Committee and they both appeared to be happy with the consultations and the submissions that we have made before the Committee. I have also read through the report or the submissions from the various organisations, and I have been informed and I note in the amended Bill there are changes that have been made.

However, Madam Speaker, let me make few general remarks with respect to taxation laws, and these are made with the view to providing caution as to the objectives of any taxation laws and we have heard in this House before various principles. We are told there are three principles, in fact there could be more than

three. Any tax law must deal with economic efficiency, it must be adequate in terms of revenue, it must be equitable and fair when we talk about both, horizontal and vertical equity of any taxation system.

We talk about simplicity and I think there was a lot of talk about making tax system administratively simple, so that not only those who collect tax find it easy to do so, but also those who pay taxes and therefore, we must keep this in mind all the time.

Madam Speaker, I understand that any law may not at any one point in time strictly meet all the principles for good taxation system and there are arguments for and against some of those. If the objective of this Bill is to consolidate the different tax laws, reduce the loopholes for tax avoidance and tax evasion, I think we need to understand the difference between tax evasion and tax avoidance.

Sometimes tax avoidance, Madam Speaker, may not be illegal and there are ways in which taxpayers do that, and that is why I want to say that any law which is passed by Parliament, any tax law, the effectiveness of that tax law and how it meets all those principles of a good taxation system will depend on how it is implemented. I note, Madam Speaker, some time back, I used to be on the board of FRCA and one of the things that we were emphasizing is that any tax collecting agency such as FRCA ought to develop a very good relationship, apart from the laws to make sure that we do not have tax avoidance and tax evasion. That organisation must also create a condition, provide the flexibility and the approach so that the taxpayers of this country feel obliged and happy to pay taxes. It is very important that we create that condition. Sometimes we may think that having very harsh laws and fines may help us to reduce those leakages and evasions which the Honourable Minister of Finance has talked about very well. I understand that and I agree with him that those who need to pay and can afford to pay should pay taxes because that is how Governments' run and there is no argument there.

Maybe, the Honourable Sudhakar and the Honourable Minister of Finance may want to clarify this. Just a comment on the exempt Capital Gains Tax. Capital Gains Tax, Madam Speaker, at least from what I know, I have always been a supporter of Capital Gains Tax in some ways or the other because capital gains can bring about progressivity in our tax system. In other words, it is a tax on people who own property, who sell it and make profit and usually these are people who are in the middle or upper income groups. Therefore, to make the tax system progressive, Capital Gains Tax has always been used to do that. But I noticed in the exemption, the Honourable Minister made reference to this in his Budget Address, Capital Gains made by resident individual of Fiji citizen that does not exceed, previously it was \$20,000, now it is \$16,000. I do not know how it is going to affect the middle income earners, for example, Madam Speaker, if someone buys a property in the previous law before the amendment for \$80,000 and sells it for \$100,000 and does not incur any cost in between, then that person would pay a tax on the \$20,000 profit. Now, if someone just make \$16,001 then they will pay tax on that. Perhaps there is an element of progressivity questioned there, but as I said, that is not something that I am going to brag about.

The other point that I wanted to make, Madam Speaker is in relation to what I said earlier, it is how effective some of these laws become, whether we will be in a position to supervise and ensure that people actually do not find innovative ways of getting around it and use our exemption or our incentives to their advantage.

Again, this is in relation to, the Minister may want to tell us a little bit more about how and where we are in terms of the relocation of regional or global headquarters of businesses because when they relocate, they obviously get 17 per cent tax or other concessions as referred to here. Whether they actually and genuinely have headquarters and people and providing us that benefit that we may have intended through this concession because it is no use giving if some international organisation comes and sets up a little office, the same person may do two jobs and we really are not getting much out of it, except that they might be paying a lower tax here.

So, these are examples that I want to use to say that when we put our tax laws, it is important that those who monitor and those who are responsible for implementing this put in a mechanism, whether it is monitoring or evaluation in a periodic and regular manner so that we are able to assess some of these exemptions and incentives that we want people to take.

The final point I want to make, Madam Speaker, I know the intention always is not just to raise revenues, tax policies are also used to provide incentives, incentivise groups and investors and those who may want to take up those incentives to invest and create jobs. Ultimately when we talk about a growing economy, when we talk about economic reforms, we are talking about efficiency, we are talking about ability to attract investors and promote our local companies to create more jobs.

Madam Speaker, before I came here someone just told me, perhaps the Honourable Minister can clarify this in relation to jobs and our local companies. I am told that Tropic Woods which got the Prime Minister's Exporter of the Year Award or something has been shut down for the last six months and this person was obviously concerned about this. I do not know, this is what he told me, perhaps the Honourable Minister can clarify what is happening with the Tropic Woods.

Madam Speaker, with those remarks, I want to conclude by saying that FRCA ought to take a very important and considered role in ensuring that while we have these compliance rules, for example, in the VAT Decree, we have serious laws about fines and jail terms. I hope that they will build a much better relationship with all the taxpayers in this country so that it is also about us in this country sharing our responsibility of paying the appropriate tax when we can and when we can afford to pay taxes. If that happens, Madam Speaker, I think we can create a much better environment in using the tax policy as an incentive and at the same time collecting the appropriate revenue that would be required. Thank you, Madam Speaker.

MADAM SPEAKER.- Thank you. The floor is still open. Just before we carry on, we have in the gallery parents and teachers of Nokonoko District School from Sigatoka.

(Acclamation)

Welcome to Parliament and wish you all the best in your studies and your future.

HON. A. SAYED-KHAIYUM.- Thank you, Madam Speaker. We obviously have a very heavy Nadroga influence today.

Madam Speaker, I will speak when we have the substantive motion, that is the motion to include the amendments and I will speak on those issues that had been raised by the Honourable Dr. Prasad.

MADAM SPEAKER.- Thank you. There being no other input and because we had one input, I will invite Honourable Ashneel Sudhakar to speak in reply, if any.

HON. A. SUDHAKAR.- Thank you, Madam Speaker.

Honourable Dr. Prasad did raise a very pertinent point and essential subject on the issue of Capital Gains Tax and why it is necessary. I believe that I am in a position to explain and testify why capital gains is necessary, I think he has already agreed to that but for the benefit of the Members and the people, capital gains is covered under Section 67 of the Bill that is before the House. In fact it is Part 3 Section 64 onwards, but Section 67 discusses the exemptions. So what was happening previously was that there was some illegal real estate type of business that was going on where a person would buy a piece of property or piece of land and then would sell at a higher price and there was no way to capture that income that they were making and that actually caused a bit of inflation in the price of property. What happens now is that if someone buys a piece of land and that is their own sole residential property, which is covered under Section 67 as their place

of residence, if that person sells that property then that income is exempt. If that person has resided in the properties and it is the person's first residential property, so any profit he makes on that is exempt. He does not have to pay any capital gains tax on that. Apart from that, if a Fiji citizen buys and sells a property and the profit of that property is less than \$16,000, so he does not make a profit of more than \$16,000, he is again exempt.

One of the pertinent points of the exemptions are that if a person is selling a property which is used to derive an exempt income, which I applied in my practice as well, so if you own a cane farm and you are using that farm to derive income just by cane proceeds then the cane proceeds is exempt itself. If you sell that cane farm, again you are exempt from paying taxes. So, there are about eight or nine exemptions that are covered in Section 67 that takes care of the point that Honourable Dr. Prasad raised and all the other aspects, Madam Speaker, are in my report.

MADAM SPEAKER.- Thank you. Parliament will now vote. The question is that the Standing Orders be suspended to allow that on the motion that the Income Tax Bill be debated, voted upon and do pass, that the House takes into consideration the amendments made to the said Bill as previously circulated to Honourable Members. Does any Member oppose the motion?

There being no opposition, the motion is therefore agreed to.

SECRETARY GENERAL.- A Bill for an Act to revise, simplify and consolidate the laws relating to Income Tax (Bill No. 22 of 2015) to be debated and voted upon by Parliament.

MADAM SPEAKER.- Pursuant to the resolutions of Parliament on 16th November, 2015 and this morning, I now call on the Honourable Acting Prime Minister and Minister of Finance to move his motion.

HON. A. SAYED-KHAIYUM.- Madam Speaker, pursuant to the resolution of Parliament on 16th November, 2015 and this afternoon, I move that a Bill for an Act to revise, simplify and consolidate the laws relating to Income Tax (Bill No. 22 of 2015) be debated, voted upon and be passed.

HON. LT. COL. I.B. SERUIRATU.- Madam Speaker, I beg to second the motion.

MADAM SPEAKER.- I now call on the Honourable Acting Prime Minister and Minister for Finance to speak on his motion.

HON. A. SAYED-KHAIYUM.- Madam Speaker, thank you. As highlighted, when this particular Bill was tabled in Parliament that in 2012 the Honourable Prime Minister had announced that in the National Budget the new Income Tax Law would be implemented to simplify tax administration in Fiji which is essentially in conformity with the many international practices and recommendations including the IMF.

Madam Speaker, the re-write and revision of tax laws is not necessarily an easy task. Since 2010 there has been several years of work and preparation put into ensuring that all the different pieces of law pertaining to income tax, in particular, is put together and also to remove a lot of the anomalies that did exist.

The existing Income Tax Act, Madam Speaker, was enacted in 1974 and since then there has been a quite a lot of updates and some of the sections had been out-of-date, there has been amendments to amendments, and in fact it has become quite cumbersome as part of the Pacific Financial Technical Assistance that had been given to us through the Centre and IMF. Professor Lee Burns of the University of Sydney was given carriage to rewrite the Income Tax Law of Fiji. He obviously has the level of expertise, there has been 14 different drafts that has been developed since 2010. It has been circulated widely to members of the public since 2010 and 2012. There has been about 50 different consultations that had been held, that is apart from the consultations the Committee actually had once the Bill was referred to them.

Of course, Madam Speaker, the Committee has come up and made some recommendations and further recommendations had been made which has been approved just now in respect to the amendments that is to be debated. Madam Speaker, it is most definitely an agenda in any tax rewrite to make sure that the tax laws become a lot more user- friendly, but I think one of the problems that we have faced in Fiji is the subjectivity of the provisions in the tax law. Where the subjectivity is to such an extent where it becomes very difficult for the taxpayer to actually know how the tax law would be applied, that is a very dangerous situation.

We have received numerous complaints since 2007 where the decision of various officers in FRCA has been very subjective, in fact there has been very little consistency and that has been a feature since 1970s and 1980s whenever the Bill came into effect. That is very, very dangerous and what the Honourable Dr. Prasad has mentioned is absolutely correct and this is the objective of this rewrite. The objective of this rewrite is to make sure that the tax laws are actually objective. There will always be a certain level of subjectivity but the level of subjectivity needs to be minimised and that is where we have differences.

We have now had discussions with FRCA and the notion that your tax department should be the first stop for any investor, for anyone starting up a business is a feature in many different countries. But in Fiji, unfortunately, that has never been the feature. FRCA is the last department that the business person wants to go to, and if they want to deal with FRCA they will send their accountants, they do not want to deal with them. Unfortunately, the people who do have to deal with them because they cannot afford, perhaps, accounting firms, et cetera, are people who are at the lower to middle income earners. We now have through the Chairman and the management team of FRCA have been saying that with this rewrite, and we have been gearing them up for this, is that they need to become a lot more friendly institution to all taxpayers, whether they are small taxpayers or large taxpayers.

It was interesting, I was reading some literature the other day and countries like USA where an investor goes in and starts a business, the first place they go up themselves is to the tax department. They say, "See, I want to do this, how can you help me?" and they are always very facilitating, whereas the attitude in Fiji has always been since FRCA's establishment is that, "oh, how are we going to take money from you?" That is an issue.

On the balance of it, of course, there are some people who do not go to FRCA because they do not want to pay taxes at all, and these are the people to not pay taxes. There is also avoidance in through that methodology. Avoidance, yes, there may be different ways of maximising your non-payment of tax which is a different issue but a deliberate attempt to avoid paying taxes is something obviously we do not want. The theory being that Fiji has got a very good tax bracket or tax imposition of levies, it is attractive. We are one of the lowest in the region, 20 per cent corporate tax. If you listen to the South Pacific Stock-Exchange – 10 per cent, Regional International Head Offices – 17 per cent. Tax free zones – Vanua Levu, Taveuni, Kadavu, Lomaiviti and Lau and now of course from Nausori all the way to Matawalu Village in Teidamu.

So, these are the various initiatives that we have put in place, as you know that was announced in the Budget, now for if you invest in the health sector and also if you invest in the housing sector. So, it is very critical that we do have that balance. It is also very critical that where we do give incentives that there is an oversight. For example, if someone wants to start up a business in a tax free zone at the moment, in any of those regions I have just identified, they have to go through various checks and balances. So, FRCA has to look at it, Ministry of Industry and Trade has to look at it, Ministry of Finance looks at it before it comes to the Honourable Minister of Finance for the final approval with the input of all those agencies. So, it is a very thorough test, in fact there is one application that recently was made for a business to be start up between Taveuni and Rakiraki and that was rejected because it was doubted whether there was actually *bona fide* investors, and precisely for the reason that Honourable Prasad had highlighted earlier on.

Madam Speaker, with this Bill, I would urge both sides of the House to look upon this favourably, to vote for it. We did not have any disagreement in terms of the motion for the amendments to be included, but what we want to also do, Madam Speaker, is to say that it does provide, for example, the removal of the uncertainty in application and also to provide a lot more coherence in the tax application, the simplification of the taxes and, of course, to modernise the laws. We have provisions, for example, pertaining to the allowable deductions and various other areas of tax that has always not necessarily been enunciated clearly in the current existing Act which also now the new one looks at Trusts, and I think that is very, very critical. So, Madam Speaker, with those introductory remarks, I would like to recommend that the House votes for this Bill.

MADAM SPEAKER.- The Bill is open for debate, if there is an input from anyone.

HON. DR. B.C. PRASAD.- Madam Speaker, just very briefly, I thank the Honourable Minister of Finance for making some of those clarifications and also to Honourable Sudhakar. I just wanted to correct what I said earlier, I think, I said that Tropik Woods was shut down for last six months. I think I wanted to say that someone told me that it is going to be shut down for the next six months. But I do not know, maybe the Government side can shed some light on it.

Let me just echo the sentiments of a lot of people, Madam Speaker, who are law-abiding taxpayers in this country including businesses, and I agree with the Honourable Minister of Finance that there are people who do not have that kind of accessibility, some have better accessibility than the others to FRCA. That is why, I think, it is very important for us to ensure that FRCA changes its approach in not only trying to concentrate on the laws and compliance but also I think an attempt to build that relationship with the taxpayers. Like what the Honourable and learned Attorney-General said that taxpayers and businesses ought to feel very confident of going to FRCA, taking the advice, talking to them and making sure that they get the appropriate advice for different types of businesses and undertakings they want to take. Only then they can expect those businesses and investors to comply with the rules.

Madam Speaker, ignorance is no excuse for breaking the law, but I think there is a lot of ignorance about tax laws and it is quite prevalent. I see people, quite often, come and ask you about little things - how this tax law is going to impact on them and I think it is incumbent upon FRCA staff and those who are responsible or if they do not have the resources, they ought to be provided the resources so that they can provide those information and advice in a very timely and considered manner. I would urge Government to look at that aspect of tax compliance which will come through building relationships, providing appropriate information and removing the ignorance and the lack of knowledge that might be there about the existing laws. Thank you, Madam Speaker.

MADAM SPEAKER.- There being no other input, I will invite the Honourable Acting Prime Minister and Minister of Finance to speak in reply.

HON. A. SAYED-KHAIYUM.- Thank you, Madam Speaker. I would like to thank the Honourable Member for his input. Yes, most definitely, Madam Speaker, once this Bill is approved today, we will be hosting a lot of roadshows around the country to explain this new Tax Bill and as you have said, it is our objective to ensure that FRCA becomes a lot more different in its whole approach - the psychological approach to tax, I think, is very critical. We need to take advantage of that.

Tropik Woods is not shut down, Honourable Dr. Prasad. In fact it is doing rather well, that is why they won the Prime Minister Exporter of the Year Award. But again, getting back to the point about the Tax Bill, Madam Speaker, I think it is a very good way forward. It does put us in a different type of league altogether. We have the support of the various international agencies and we hope to also, Madam Speaker, in areas where there is subjectivity is to also include practice notes. FRCA, as we have discussed with them, that they must have practice notes that is put out so that people know exactly what direction things will take and in fact that should be justiciable too.

Madam Speaker, I just want to also highlight, I had the opportunity to also yesterday see an email that was sent by one of the lawyers that Honourable Draunidalo does refer to from time to time, and the manner in which they communicated with the officials from FRCA was actually quite appalling. So there is a group of people who also do ill-treat some of the FRCA staff too, so it is a question of developing relationships, not just from FRCA's side but also by accountants and other lawyers who may represent their clients.

Madam Speaker, thank you very much, I move now that we vote on this Bill which is very good for Fiji.

MADAM SPEAKER.- Thank you, the Parliament will now vote. The question is, pursuant to the resolutions of Parliament on 16th November, 2015 and this morning, I move that a Bill for an Act to revise, simplify and consolidate the laws relating to Income Tax (Bill No. 22 of 2015) be debated, voted upon and be passed. Does any Member oppose?

There being some opposition, Parliament will vote.

Question put.

<u>Votes Cast:</u>		
Ayes	:	25
Noes	:	11
Not Voted	:	12

Motion agreed to.

Bill reported with amendments, read a third time and passed. (Act. No. of 2015)

SUSPENSION OF STANDING ORDERS

HON. LEADER OF THE GOVERNMENT IN PARLIAMENT.- Madam Speaker, I move:

That Standing Orders 34 and 36 be suspended so as to allow the Honourable Acting Prime Minister and Minister of Finance to move his motion, pursuant to Standing Order 131 and Section 145 of the Constitution.

HON. A. SUDHAKAR.- Madam Speaker, I beg to second the motion.

MADAM SPEAKER.- The motion before the House is really that pursuant to Standing Order 131 and Section 145 of the Constitution, that the Standing Order be suspended to allow the Government to debate on this guarantee.

HON. ROKO T.T.S. DRAUNIDALO.- Madam Speaker, thank you. Do we have details on the reason for the Suspension of Standing Orders? If we knew, we might just give our consent but we do not like being taken by surprise, it is not a first time that it has happened. It is really making a mockery of this House.

(Chorus of interjections)

MADAM SPEAKER.- Thank you. Can I allow the Honourable Minister of Finance to make clarification on this?

HON. A. SAYED-KHAIYUM.- Madam Speaker, thank you very much. There is nothing unusual about it. As allowed for under Standing Orders, Government can move a motion for the approval of guarantees and we are bringing this motion and asking for the Suspension of the Standing Orders so that we can then move this motion regarding that giving of Government guarantees under Standing Order 131. Madam Speaker, if you look at Standing Orders 131, there is no specific time requirement that is required for this approval to take place.

Madam Speaker, the reason why we also want this approval to be given, it is an extension of an existing guarantee to Fiji Electricity Authority (FEA) and Fiji Development Bank (FDB). Part of the guarantee, which I will elucidate further expires on 31st December. Therefore, we want to ensure that there is no time gap and therefore this is why we are presenting it and as per the requirement of Standing Order 131, I will present, as we have done before, the various financial positions of the two entities and of course Government's exposure with the percentage of GDP to the guarantees that have been given.

MADAM SPEAKER.- Thank you. With that clarification, are we able to debate on that motion?

HON. ROKO T.T.S. DRAUNIDALO.- Are we voting on the motion, Madam Speaker?

MADAM SPEAKER.- No, we are still to debate on the suspension.

HON. ROKO T.T.S. DRAUNIDALO.- Madam Speaker, we do not have the numbers but we will not support the motion to Suspend Standing Orders because we just want to be given details at least one day in advance. We have been sitting here late every day and this I am sure things that they know about for a long time, they could have just give us a paper so that we can consider it in due course and not be rushing around - that is all we ask, Madam Speaker.

MADAM SPEAKER.- Thank you. With that input, I will now invite the Honourable Minister of Finance for his Right of Reply.

HON. A. SAYED-KHAIYUM.- No, Leader of the Government.

MADAM SPEAKER.- Leader of the Government.

HON. LT. COL. I.B. SERUIRATU.- Madam Speaker, thank you for this opportunity. Again we have clearly stated that these guarantees will lapse by 31st December. We have dealt with the Consequential Bills and of course we appreciated that. This is similar to the Consequential Bill because there is no other session between now and February next year. It is obvious and Government needs to do this, Madam Speaker.

MADAM SPEAKER.- Thank you. With that right of reply, Parliament will now vote.

The questions is that Standing Orders 34 and 46 are suspended, so as to allow the Honourable Acting Prime Minister and Minister of Finance to move his motion pursuant to Standing Order 131 and Section 145 of the Constitution. Does any Member oppose the motion? There being opposition, the motion will be voted on.

Question put.

Votes Cast:

Ayes	:	26
Noes	:	12
Not Voted	:	10

Motion agreed to.

I will now call upon the Honourable Acting Prime Minister and the Minister for Finance to move this motion.

**GOVERNMENT GUARANTEE TO FIJI ELECTRICITY AUTHORITY (FEA) –
OFFSHORE AND DOMESTIC BORROWINGS**

HON. A. SAYED-KHAIYUM.- Thank you, Madam Speaker, I will now move the motion for the first guarantee.

Madam Speaker, pursuant to Standing Order 131 and for the purpose of Section 145(1) of the Constitution of the Republic of Fiji I move:

That Parliament approves:

- 1) That the FEA maintain the existing Government guarantee mix of US\$50 million for offshore borrowing and F\$404 million for domestic borrowings; and
- 2) The extension of the availability period of the current Government guarantee to 31st December, 2016. The guarantee is for one year.

MADAM SPEAKER.- Thank you, is there a seconder?

HON. LT. COL. I.B. SERUIRATU.- Madam Speaker, I beg to second the motion.

MADAM SPEAKER.- I will now call upon the Honourable Attorney General and Minister for Finance, Public Enterprises, Public Service and Communications to have the floor.

HON. A. SAYED-KHAIYUM.- Thank you, Madam Speaker.

Madam Speaker, as required under Section 62(1) of the Financial Management Act, the Government may guarantee the financial liability of an entity in respect of a loan or otherwise, but only if the author of the authority is authorised by Parliament. Cabinet in its meeting on 17th June, 2014 approved the revised Government guarantee mix for FEA to F\$404 million for domestic borrowing and US\$50 million for foreign loans. In addition to the above, the validity period of the revised guarantee mix was also extended to 31st December, 2015. Out of the approved guarantee ceiling of \$454 million, FEA has not utilised \$127.4 million of borrowing as of September 2015.

FEA intends to channel the unutilised portion of the guarantee credit for projects earmarked in its capital expenditure investment plan over the next three years to support its broad power development plan to 2025. Hence there is a need to extend the guarantee which expires on 31st December, 2015 which is in about a month's time.

Madam Speaker, as of 30th December, 2015, the unutilised Government guarantee stood at \$F90.1 million for onshore borrowings and US\$37.3 million for offshore borrowings. FEA is embarking on a number of major projects which it has budgeted to fund through the loans guaranteed by Government. In other words, the extension of the guarantee availability period will allow the company or the statutory body to access credit in order to successfully finance its ongoing new projects.

As you have heard that many of the projects actually fit in with Government's projects for next year in terms of providing more power or more electricity to rural areas, in particular. The Government guarantee is part of a broad initiative to bolster FEA's asset base which the company has budgeted a cap expend of \$F100 million per annum over the next three years between 2016 to 2018. This initiative is stipulated in FEA's 2016 Corporate Plan.

Madam Speaker, FEA spent a total of \$114.1 million on capital expenditure in 2014 alone. These funds were mainly directed towards the construction of the Wainisavulevu Wier Raising Project which is the upper stream of Monasavu, purchase and installation of 40 megawatts diesel generator sets at Rokobili, Deuba, Sigatoka and Nadi as part of FEA's contingency plan.

As you know we are completely dependent on Monasavu and we now have, if Monasavu goes down because of a cyclone or a line falling down, these generators are provided as backup and, of course, the purchase and installation of 35 megawatt heavy fuel oil generators at Kinoya. We are pleased to inform that the purchase and installation of the 40 megawatt diesel generator sets have been fully commissioned in 2014 and the Wainisavulevu Weir Raising Project was recently launched by the Honourable Prime Minister. The 35 megawatt heavy fuel oil generator will be fully commissioned later this year. FEA plans to continue revamping its aging infrastructure which has been in service for more than 30 years and it is also intends to build new energy capacities and the extension of the power grid. This is part of the overarching Government initiative to provide sustainable energy supply and uplift the livelihood of the ordinary Fijians.

More specifically, the loan proceeds for the 2016 period will be channelled towards:

- (i) The reinforcement of the power network infrastructure for the whole of Fiji, so that businesses and households continue to receive reliable and secure power supply;
- (ii) Refurbishment of the Monasavu Hydro Scheme and;
- (iii) Establishment of the power network system in Taveuni.

Through this project, the people of Taveuni, will, for the first time, enjoy reliable power supply. In fact, this is the first establishment of FEA in Taveuni which is actually quite a tragedy when you think about it, being the third largest island in Fiji but has never had FEA set foot in Taveuni.

Furthermore, FEA is focussed towards reducing its foreign risk exposure and increase its cost savings. In this regard, it plans to refinance a total of US\$7 million out of the balance of the US\$12.67 million offshore loan with a local bank based in Fiji which is ANZ, into an onshore Fijian dollar account. This would also require the transfer of Government guarantee from US dollars to Fijian dollars or equivalent of \$15.2 million.

Generally, Government's support through loan guarantee will provide a strong platform to complete its renewable energy projects, particularly hydro-related energy capital outlets. This will assist in reducing

the carbon footprint which we all talked about in Climate Change, and our commitment to the environment which will also reaffirm Government's national priority target of reducing carbon emission by 30 per cent by the year 2030, which of course we are taking that message to COP in France.

FEA's unaudited profitability level as at the end of September this year, a profit after tax of around \$26.6 million, as opposed to \$2.8 million loss recorded for the same period last year, indicating that the company is strongly geared towards maintaining costly financial performance.

I would also like to highlight the fact that FEA has been able to meet its financial covenants imposed by its key lenders namely, FNPF and ANZ. Assessing from FEA's financials, it has achieved reasonable profitability and solvency targets, signifying that the company's financial position is robust and is well positioned.

FEA has an unblemished track record of its debt servicing. It has never defaulted on any of its debt obligations and has provided the platform for the company to access credit, not only from domestic institutions but also from international financial institutions.

FEA, Madam Speaker, on discussions with some of the Honourable Members at lunch time does play a very critical role in not only providing electricity, but ensuring that we carry out major developments in the country. And yes, we have some issues regarding some of the costs that FEA does impose but by giving this type of guarantee, we are able to ensure that FEA can stand more on its feet.

As far the Government guarantee exposure is concerned, Madam Speaker, as of 30th September, 2015 and as was also highlighted in the Honourable Members' contributions during the Budget debate, the total Government guaranteed debts stood at \$812.457 million, which is equivalent to 8.9 per cent of GDP. For the same period, the Central Government debt stood at \$4.41 billion which accounts for 48.3 per cent of the GDP.

Madam Speaker, those are the financial statistics available. It is not, in fact, a completely new guarantee but an extension on the guarantee, to allow FEA to be able to use some of the unutilised guarantees so far, and it is for an extension until the end of next year. Thank you very much.

MADAM SPEAKER.- Thank you. The floor is now open for debate and I invite input from Honourable Members, if any. Honourable Aseri Radrodro.

HON. A.M. RADRODRO.- Thank you, Madam Speaker.

I would like to speak on the guarantee to FEA. We all know, as alluded to by the Honourable Minister, that this is an existing guarantee but I fail to hear the conditions that Government is going to put to FEA, in addition to the provision of this guarantee. I was hoping that there would be some levies imposed by Government to FEA for continuous provision of this guarantee.

Secondly, Madam Speaker, we also hear that part of this guarantee is the continuation of the Monasavu refurbishment exercise. Could the plight of the resource-owners be also considered in terms of provision of employment during the refurbishment, in terms of reviewing the lease rental payment and provision of electricity grid to the resource-owners as I had highlighted yesterday? If Government could impose some of those conditions, otherwise year in and year out, similar guarantee extensions will be brought into this august House without any benchmarks or conditions that are given, together with the guarantee extension, which is like giving money for FEA to use at their leisure.

Madam Speaker, this year, FEA continues to purchase some more generators in terms of beefing up the power supply in Kinoya. If we continue to give this Government guarantee and FEA is not meeting the planned renewable energy that it has set itself to achieve within the guaranteed period, then I do not think

that they should be given this guarantee, unless they are monitored and Government ensures that certain conditions are placed with the guarantee to ensure that there is value for money in the utilisation of this Government guarantee by the institution.

HON. M.D. BULITAVU.- Madam Speaker, I concur with my colleague in regards to the fairness in which FEA deals with our landowners. The stakeholders - FEA, NLTB and the landowners, really need to be more consultative in their approach in regards to this, Madam Speaker, for example, at Nadarivatu, FEA has completed Power 4 and it is now moving into Power 5. However, the Power 5 area is in the native reserve land and there are issues on those areas because they are traditional burial grounds where some of their ancestors are buried. Even FEA has not even dealt with the issues that arose in Power 4 where there are differences and now, it is jumping into trying to get the consent from the landowners for Power 5.

The issues concerning Power 4 have not been solved but again for us or Government to be giving guarantees to FEA, they have to approach our landowners with fairness and be consultative in their approach, seek prior consent from them regarding their resources and with that, I also seek Government and iTLTB to be fair in their advice to landowners and take on board the conditions which the landowners are also crying for. That could be part of the lease instrument that should capture what the landowners want.

Most of the leases in which the FEA leases are located, the agreed conditions during the consultation phase by the landowners are not in the instrument agreement. These are some of the issues, then we had to go back to court and legal fees are paid by the landowners in order to fight for justice on what they have lost that was not captured or iTLTB did not properly record or put into the lease instrument.

HON. DR. M. REDDY.- Again, this is not the issue.

HON. M.D. BULITAVU.- No, no, no, you have to listen Honourable Minister. If you want to speak, then stand up and speak.

Let me continue, Madam Speaker. It is a Government guarantee, fair enough, but we are giving the resources. On the other hand, FEA has to treat landowners with fairness, it has to be fair to them, that is the issue. We cannot be seen here to be giving on the one hand and on the other, not practising fairness and all the principles that should come up with all we have given as public money.

Those are the kind of issues, Madam Speaker, that are very important in considering this kind of guarantee that is before the House.

MADAM SPEAKER.- Thank you. Honourable Leader of the Opposition, you have the floor.

HON. RO T.V. KEP.A.- Thank you, Madam Speaker.

Madam Speaker, in response to the Bill before the House, I would like to express my concern, that we should not get used to being railroaded and bombarded by the agenda from the other side when they do not give us any information about what is coming before the House. These are bullying tactics, Madam Speaker, and we only get to know about it when it is brought before the House like what happened last year. If they are giving us the Consequential Bills, why can they not also provide us with information as what else is going to come before the House so that we are not taken by surprise and then become very suspicious of what the Government is doing.

We would like to co-operate, Madam Speaker, but they make it very difficult for us when they do not advise us about what is coming before the House until we are sitting right here. We know they have the numbers but that will not always be the case, Madam Speaker. Another time, they will be sitting here, outside or somewhere else.

(Laughter)

However, you will not always have the numbers, and you would not like what you are doing to the Opposition to be done to you because that is not fair and what you are doing to the resource-owners is not fair either but we know that, that is the way you operate - you are not fair.

(Interjections)

All we are asking, Madam Speaker, is for the Government to be fair to the resource-owners which you can correct, Honourable Minister. Look at what the resource-owners are getting and when they are blaming other governments for whatever developments they have been very good at putting up in the past, they can correct it, Madam Speaker, and that is all we are asking them to do.

MADAM SPEAKER.- Thank you. Honourable Dulakiverata.

HON. J. DULAKIVERATA.- Thank you, Madam Speaker.

I agree with Honourable Draunidalo that this motion was just put to us and the reason being that guarantee will expire at the end of the year. We know that, but we need to be given enough time to do due diligence on the matter. We cannot just rush into getting the motion approved.

Madam Speaker, as already been alluded to by my fellow Opposition Member, FEA continues to buy generators to support the electricity supply. In my reply to the Budget Address, I had mentioned FEA's lack of consultancy for research into solar energy instead of buying generators and that would help the carbon emission initiative that is being promoted by the Government.

There are a lot of other issues. I also raised the issue regarding the plea by landowners to be part of FEA. They agreed to pay shares to FEA, to give them some sort of ownership and participation because they are landowners. We have to address our locals first before we go to other issues. Thank you, Madam Speaker.

HON. LT. COL. I.B. SERUIRATU.- Thank you, Madam Speaker.

Madam Speaker, allow me to contribute to the motion before the House. Again, Government like any other responsible government, has services to deliver. Electricity is important to us all - very important. It is probably goods, it is lifeline to the State and the very same people will criticise the Government if there is no electricity today.

Madam Speaker, they are talking about the generators. Right now, the generators are in full use because of the low water level up in Monasavu. They do not realise the economic implications if there is no generator in Kinoya today. It is part of Government's contingency plans. It is so simple, it is logical because of the unpredictable weather. Yesterday, we spent so much time talking about the weather situation and water level is decreasing so the mitigation is, we are conserving water and we are running the generators. We have low fuel prices now, so it is good for the Government.

Imagine, if there is no generator and we did not purchase those generators to-date, Monasavu would be closed because of the low water level and there is no electricity, so what do we do?

(Interjections)

Madam Speaker, with regard to the plight of the landowners, let me assure this august House that the Honourable Prime Minister was in Monasavu the other week and he has, of course, listened to the plight of the landowners.

Madam Speaker, we know that some of the issues have been dealt with so far and the landowners have been compensated \$53 million. There are other issues and then they keep bringing up names like “Ratu Penaia promised this, promised that, the Alliance Government”, and the Honourable Prime Minister told them, “we will listen, we will set up a taskforce, we will bring all the stakeholders and we will investigate the issues that you have.” So, the Government is listening, Madam Speaker.

Let me also assure the Honourable Members of this House that on electricity, this is the very Government that provided electricity to the very landowners who are within the proximity of the venue.

(Chorus of Interjections)

Yesterday, they brought up the issue of the *Tikina of Nawaimalo*. Let me assure the Honourable Member that Government has given them assurance. First, we need roads into the *Tikina of Nawaimalo* ...

(Acclamations)

HON. GOVT MEMBERS.- Hear, hear!

HON. LT. COL. I.B. SERUIRATU.- ... and Government is going to construct the roads next year. Once we have the roads, then we will build the grid lines. Thank you, Madam Speaker.

(Chorus of interjections)

MADAM SPEAKER.- Before I call on the next Honourable Member, again, I would like to acknowledge the presence of the mini choir from Ratu Sukuna Memorial School who are here. They had entertained us during lunch hour, so you are most welcomed into the gallery this afternoon.

(Applause)

Thank you. I would like to give the floor to the Honourable Ratu Kiliraki.

HON. RATU K. KILIRAKI.- Thank you, Madam Speaker.

We totally agree with the Honourable Minister on the importance of electricity. We cannot go without them, there shall be light in the nation, yes.

(Laughter)

However, Madam Speaker, guaranteeing FEA in light of the divestment of its shares as outlined in the Budget similar to the divestment of Ports Authority, interests have gone overseas.

One will be more comfortable with the guarantee, if divestment of shares include the landowners as they have proposed or even Fijian Holdings Limited as we have also proposed from this side of the House. That will be forward-looking for the nation, especially with indigenous participation in business and that would be the way to go. For guaranteeing now and come next year, then you divest shares from FEA overseas, then we are totally opposed to the guaranteeing motion at hand. Thank you, Madam Speaker.

MADAM SPEAKER.- I invite the Honourable Viliame Gavoka to have the floor.

HON. V.R. GAVOKA.- Thank you, Madam Speaker. I agree with my colleague, Honourable Ratu Kiliraki about the divestment of shares within FEA, as we have been informed that this is one of the Government entities that is on the line to be sold. A number of questions here, with divestment shares is you sell shares so it is the same thing.

HON. GOVT. MEMBERS.- (Chorus of Interjections)

Madam Speaker, why it is important here is that, if you want to sell shares in a company or divest some equity or part of it, you would want to clean up your balance sheets and financial statements. What will happen to the guarantee if you put this on the market and sell it to people from outside? Will they, the private sector, who will take ownership of FEA continue to benefit from the Government guarantee? We need to clarify this. Is it really being placed for sale next year and for how long will the guarantee go for?

Madam Speaker, we do not want to be guaranteeing an entity that will eventually end up in private hands. If you remember, the Honourable Tui Cakau had put forward a proposal that Fijian Holdings be the lead company to put together a conglomerate of companies in Fiji to buy shares in FEA, AFL and all the companies in Fiji, so that it remains in local hands. Fijian Holdings as you know, Madam Speaker, has partnerships with RB Patel, Vinod Patel, Punjas and other big names in this country. They can spearhead that and it keeps the ownership in Fiji and strengthen the economic partnership of the indigenous people.

Madam Speaker, what he had proposed was a win-win formula and the interest indicated by the landowners up in Monasavu saying that they want to buy shares in FEA, so that has to be facilitated. I would love to see the day when FEA is floated on the stock exchange, boosting the activities in the stock exchange and you might have got a Limited company by now.

Madam Speaker, those are questions that the Government has to answer. You want a guarantee, but what is happening in the immediate future? We know for sure those companies are being sold to other interests and, Madam Speaker, while we are at it, if you want to sell some of those entities, we would rather you give it to outsiders who are managers to manage it for us.

We maintain the ownership in Fiji but give it to a professional manager to manage it for us. In the same way, FNPF owns Natadola and Holiday Inn but gives it to InterContinental to manage. The ownership remains in Fiji, the management is from overseas experts. That is the formula we should follow and in the event when you want to go this way with FEA, keep the ownership locally, on the stock exchange and buy shares in it. Give it to one overseas operator if you want expatriates to come and run the whole electricity company for us.

That, Madam Speaker, are areas that are still very vague to us. They are not clear and I would like Government to clarify that, to give us the comfort that this guarantee will be whether Government or the people of Fiji owns it and let us be careful with other the interests that come into the picture. Thank you, Madam Speaker.

MADAM SPEAKER.- Thank you. Honourable Dr.Biman Prasad.

HON. DR. B.C. PRASAD.- Thank you Madam Speaker.

I think the first point I want to make is not that the Government just woke up this morning and realised that the guarantee for FEA and FDB were going to expire at the end of the year, Madam Speaker, what they are doing is actually short-changing. They are short-changing the provisions in the Constitution; short-changing the Opposition and short-changing the people of this country because the reason why the Government has to bring this guarantee issue to Parliament ...

HON. A. SAYED-KHAIYUM.- It's there.

HON. DR. B.C. PRASAD.- ... provided for in the Constitution, is not to bring it here for five minutes, move a motion and have it approved.

Madam Speaker, the intention of this Constitution is that a guarantee for any entity by a government has to be brought into Parliament, and that enough time is given to Members in Parliament.

HON. OPP. MEMBERS.- Here, hear!

HON. DR. B.C. PRASAD.- The Opposition should have been informed. What does it take for the Honourable Minister of Finance and the Government side to have told us two days ago, "Look, we are going to bring this guarantee on Friday, be ready for the debate". That is what the Parliament is supposed to be about, it is not about railroading.

Some of the Honourable Ministers who spoke, Madam Speaker, did not get the message right. We are not saying that we do not lead our lives. I agree with the Honourable Minister of Finance that we need this development and that we need electricity in every part of the country. Madam Speaker, that is not the point. The point is that, we should not be short-changing the debate because we, on this side of the House, would have done our own research. We would have put our thoughts in order. We would have talked about FEA and some of the things that my Honourable colleagues on this side are raising are important issues because if taxpayers of this country are going to guarantee an entity, then they ought to have the right to know what that entity is doing, how it is doing, and in Parliament it is not just that the Honourable Minister of Finance says what they are doing. We, on this side, also have questions and the people have questions about a particular organisation.

HON. GOVT. MEMBER.- Read the Annual Report.

HON. DR. B.C. PRASAD.- It is not about reading the Annual Report, Honourable Minister. It is about telling us that this issue is going to be brought into Parliament. That is why, Madam Speaker, I am not in a position and no one on this side of the House is in a position to support this guarantee. Thank you, Madam Speaker.

MADAM SPEAKER.- There being no other input, I invite the Honourable and learned Attorney-General, Minister for Finance, Public Enterprises, Public Service & Communications to speak in reply.

HON. A. SAYED-KHAIYUM.- Thank you, Madam Speaker.

Madam Speaker, we had actually informed Parliament on 6th November when I delivered the Budget Address. I had informed them then, and the matter had been with them and they are the ones who set the agenda. We had done our part.

Madam Speaker, very quickly, a number of issues and speculations have been raised but I would like to start with my friend, the Honourable Bulitavu, when he talked about landowners being given fair and equitable return. I refer the Honourable Member to Section 29(4) of the Constitution which obviously did not exist when the Monasavu dam was built, this is why the Monasavu landowners had to take Government to court.

HON. MEMBER.- For the land ownership!

HON. A. SAYED-KHAIYUM.- Madam Speaker, I am talking about when the Monasavu dam was built, we had all these villages with wires going over their heads and they had no electricity. Those villages now have electricity, of course, a lot more villages need electricity.

(Chorus of interjections)

These are facts, Madam Speaker, and it is this Government that has done that. So, I refer him to that particular provision in the Constitution.

As the Honourable Minister for Agriculture has highlighted, we have obviously taken a concerted effort to make sure these matters are addressed.

(Inaudible interjection)

Yes, there are some issues in the manner in which the compensation payout has been made unfortunately, but it has got nothing to do with Government. However, it has to do with the lawyers and the landowners who took it to court, as you know Honourable Member.

The other issue, Madam Speaker, and the Honourable Minister for Infrastructure will also tell you, that the Honourable Prime Minister has already agreed that one representative from the landowners will be sitting on the FEA Board.

(Chorus of Interjections)

Madam Speaker, the reality is this:

- there has been no landowner representation on any of the FEA Boards ever since the Alliance Government days;
- they were not paid the compensation at that point in time when they should have been; and
- those people did not receive electricity.

However, Madam Speaker, FEA is working towards reducing its carbon footprint and as the Honourable Minister for Agriculture quite eloquently highlighted, there is a need to have those generators because we need electricity all the time and we are focusing on that.

Madam Speaker, very quickly on the issue of reduction of guarantees, it has been made *vis-a-vis* the divestment of shares. That is one of the key objectives of divestment of shares, that you are able to then reduce Government's contingent liability *vis-a-vis* the guarantees. It would be stupidity on the part of anyone trying to do the right thing, to give a Government guarantee to private companies. There has to be some form of arrangements made in that, whether it is done progressively over a period of time or whether it is done almost immediately, and as the Fiji Ports Corporation divestment has shown, Government still owns 41 per cent, FNPF still owns 39 per cent and now it is 39 per cent. That means 80 per cent of Fiji Ports Corporation Limited, as far as shareholding is concerned, is owned by Fijian people in a more direct manner, through FNPF, where the members will benefit.

Madam Speaker, Fijians still own 80 per cent of FPCL but most of the assets (that is what I have highlighted to this House) have not been sold to any foreigner, they have been taken out and put into a Government-owned entity called Asset Fiji Limited, which is then leased to the company to carry out the operations. They simply do not understand that. The assets are still 100 per cent-owned by the Fijian people, so I cannot understand why this is so difficult for them to digest very simple commercial terms, they are merely speculating.

Now the other issue, Madam Speaker, is when you are trying to get the maximum benefit from any company or any divestment, the issue is not only about money but getting the right partners with the know-how, the technical know-how to bring that particular entity up to the next level. You cannot prescribe before the divestment as to who should get it. You cannot do that because you will not get the best return, you will not get the best partners.

Getting back to the issue about compensation, Madam Speaker, we already have information that FEA has paid to the landowners this year and past year alone \$465,000 from FEA site; \$460,000 in land lease and water royalty \$200,000. The guarantee fee, Honourable Radrodro, is 0.75 per cent which we

charge FEA, which in fact is higher when we come to the next guarantee you will see to FDB. Let me also tell you, we will come by again next year. You have one year's notice for the extension of this guarantee again, if the divestment does not affect the guarantee. Indeed with FDB, we can tell you, we will come back again next year for the FDB guarantee, you have one year to prepare for it.

Madam Speaker, on that note, there has been no clandestine approach to this. We gave one week's notice to the House and this is absolutely a very simple matter, it is an extension of an existing guarantee. If it was a new amount increasing the guarantee, I fully agree, but the fact is, it is an extension of this particular guarantee and I move Madam Speaker, that we support this guarantee extension. Thank you.

MADAM SPEAKER.- Thank you. The Parliament will now vote. The question is; pursuant to Standing Order 131 and for the purposes of Section 145 (1) of the *Constitution of the Republic of Fiji* that Parliament approve:

- (i) That Fiji Electricity Authority maintain the existing Government guarantee mix of US\$50 million for offshore borrowing and FJ\$404 million for domestic borrowings; and
- (ii) the extension of the availability period of the current Government guarantee to 31 December, 2016

Does any Honourable Member oppose the motion?

(Chorus of ayes and noes)

There being opposition, Parliament will vote on the motion.

Question put.

Votes Cast:

Ayes	:	26
Noes	:	12
Not Voted	:	10

I now call upon the Honourable and Learned Attorney General and Minister of Finance.

HON. ROKO T.T.S. DRAUNIDALO.- I rise on a Point of Order, Madam Speaker.

MADAM SPEAKER.- Point of Order!

HON. ROKO T.T.S. DRAUNIDALO.- Under Standing Order 18 on your plenary powers, what we have done, as alluded to by the Honourable Minister of Finance under Section 145 of the *Constitution*, that is Section 145 (1), Section 145 (2) says and I quote:

“Parliament, by resolution, may require the Minister responsible for finance to present to Parliament, within 7 days after the resolution, information concerning any particular loan or guarantee, including all information necessary to show –

- a) the extent of the total indebtedness by way of principal and accumulated interest;
- b) the use made or to be made of the proceeds of the loan or the purpose of the guarantee;
- c) the provisions made for servicing or repayment of the loan; and
- d) the progress made in the repayments of the loan.”

I ask, Madam Speaker, if the Honourable Minister is reminded to do that, to give us those details, so that we have one year's notice until next year.

HON. OPP. MEMBER.- *Qori*, read your Constitution.

MADAM SPEAKER.- Thank you. The issue is noted.

HON. ROKO T.T.S. DRAUNIDALO.- Madam Speaker, how do you call for a resolution of Parliament?

(Inaudible interjection)

Yes, I know by resolution which means numbers. That is why I am asking if the Honourable Minister would provide voluntarily, so that we do not have to go to a motion, so that we have one's year notice ...

HON. GOVT. MEMBER.- You should have asked?

HON. ROKO T.T.S. DRAUNIDALO.- I had asked! You want a *tabua*?

(Laughter)

HON. A. SAYED-KHAIYUM.- Madam Speaker, if the honourable Member was here for most of the proceedings on the debate, we have provided (and please read the *Supplement*) and you will see that the *Supplement* carries the total level of indebtedness. (*Showing the booklet*) Let me point out - page 57, it is in the *Supplement to the Budget*. All those required details are already there.

MADAM SPEAKER.- Thank you. We will move on. There being 26 Ayes, 12 Noes and 10 Not Voted, the motion is agreed to.

Motion agreed to.

Thank you very much Honourable Members.

GOVERNMENT GUARANTEE TO FIJI DEVELOPMENT BANK (FDB) – SHORT AND LONG TERM BORROWINGS

HON. A. SAYED-KHAIYUM.- Madam Speaker, pursuant to Standing Order 131 and for the purpose of Section 145(1) of the *Constitution of the Republic of Fiji*, I move:

That Parliament approves:

- 1) That Government guarantees the issue of \$125 million to the Fiji Development Bank for short and long term bonds, promissory notes, term deposits and other short-term borrowing, effective from 1st January to 31st December, 2016.
- 2) That FDB pays a fee of 0.075 per cent of the utilised guaranteed credit and that Government acts as guarantor for FDB.

Thank you, Madam Speaker.

MADAM SPEAKER.- Thank you. Do you have a seconder?

HON. LT. COL. I.B. SERUIRATU.- Madam Speaker, I beg to second the motion.

MADAM SPEAKER.- I now call upon the Honourable Acting Prime Minister and Minister of Finance.

HON. A. SAYED-KHAIYUM.- Thank you, Madam Speaker.

Earlier on this year in this very House, we had given a guarantee to FDB. Madam Speaker, when we presented that particular motion, I had also highlighted the fundamentals and rationale behind the FDB. We had also highlighted as to why we also need to relook at FDB in changing its focus, getting into more development areas, including agriculture.

We currently have an ADB Team that we requested to relook at FDB's entire mandate because as we know that particularly in the period from 2001 or so up to 2006, FDB did go into many areas that perhaps was not FDB's original mandate. For example, they got into the area of Momi, there were a lot of issues raised regarding that loan that they had together with FNPF.

Madam Speaker, the guarantee, of course, is to ensure that we bring back FDB into the fold, but also for it to continue with the area of debt provision in the area of development for Fiji.

Madam Speaker, FDB's lending portfolio accumulative to 30th June, 2015, the total active loan accounts stood at 4,188 with a loan portfolio of \$367.23 million. The focus sectors namely, agriculture, manufacturing, mining, quarrying and SME business, comprise 3,192 accounts out of the 4,188 accounts to the portfolio of \$175.95 million, whereas the non-focussed sector constituted 996 accounts with a loan value of \$191.98 million.

The point there, Madam Speaker, is that, even though the focus areas have larger accounts, the amount actually lent is lower than the non-focus account, and that is the mix that we need to change and that is an area that has been a problem with FDB for a while.

Bulk of the lending is directed to real estate and agricultural sectors, accounting to almost 37 per cent, followed by the building and construction, wholesale, retail, hotels and restaurants and manufacturing sectors.

In line with the existing Government policy, the number of loan accounts in the agricultural sector constitutes 53 per cent of the total loan accounts as at June 2015. Overall, the focal agricultural sector represents more than 76 of the total number of loan accounts, and 48 per cent, as I highlighted of the total value of the loan portfolio.

For the last three years, the Bank's borrowing request averaged around \$115 million on an annualised basis. This is to enable the Bank to provide development financing to the agro-based sector, manufacturing sector and small and medium enterprises, which is the 2016 mandate.

The FDB's financial position is on a strong footing. The Bank recorded operating profit after tax of \$6.14 million, an increase of \$1.25 million from the previous period, which is an increase of about 25.64 per cent.

In terms of the overall gearing, the total assets of the Bank stood at \$361.83 million, up by \$26.7 million or 7.99 per cent, whilst the total liabilities accounted to \$229.24 million, an increase of \$20.62 million or 9.89 per cent, compared to the same period last year.

Madam Speaker, this has enhanced the equity value by \$6.14 million or 4.8 per cent. The Bank's profitability is relatively high as its net profit as a percentage of net interest income has increased from 25.44 per cent in June, 2015 to 32.55 per cent in June, 2015; an increase of 7.10 per cent.

Madam Speaker, the Bank's current average lending rate in costs of borrowing as at 30th June, 2015 are 6.88 per cent and 2.59 per cent respectively, accounting to an average spread of 4.29 per cent.

As you know, Madam Speaker, the Chairman of FDB is Mr. Bob Lyons, who is also a former Chief Executive Officer (CEO) of ANZ Fiji and ANZ Regional, who has retired many, many years ago.

Madam Speaker, the FDB's outstanding liabilities guaranteed by Government as at 30th September, 2015 stood at \$148.5 million, of which bonds accounted for \$126.5 million or 85 per cent of its debt and promissory notes of \$22 million or 15 per cent.

Over the past 10 years (2006 to 2015), Government has provided guarantee to the sum of \$1.16 billion. Out of this, FDB has already repaid \$1.02 billion, thus its outstanding liability out of that \$1.16 billion is only \$148.5 million.

As at 30th September 2015, the total Government guaranteed debt stood at (as I had highlighted earlier on in the FEA matter) \$812.457 million, which is equivalent to 8.9 per cent of GDP. In terms of the Central Government debt, it stood at \$4.41 billion which accounts to 48.3 per cent of GDP. Subsequent to the approval of the \$125 million FDB guarantee, Government guarantee exposure will increase to \$947.4 million or 10.4 per cent of GDP.

The Bank, Madam Speaker, has a proven track record in financial governance as there has been no Government guarantee called to-date, affirming that it has been managed in a prudentially sustainable manner. To mitigate Government to this exposure and protect its wider financial interest as highlighted earlier on, it is proposed that a guarantee fee of 0.075 per cent be levied for this particular guarantee.

With that, Madam Speaker, and given the fact that FDB is an important institution in providing and encouraging the development of our ordinary Fijians, particularly in the agricultural sector, to provide that much needed financial assistance that mainstream financial institutions do not necessarily provide, we urge that this Parliament supports the motion. Thank you, Madam Speaker.

MADAM SPEAKER.- Thank you, the motion is open for debate. Honourable Aseri Radrodoro.

HON. A.M. RADRODRO.- Madam Speaker, FDB is probably one of the worst financial institutions or banks that is around. Firstly, it has always been levying customers with high interests and secondly, the purpose that was intended for its setup, I really do not know whether it is performing its function or is it catering only for a certain group of people.

Most of the views was that, the FDB was basically setup are to ensure that there is further development enhanced in the agricultural sector, to say the least. The data and figures that had been mentioned by the Honourable Minister, I wanted to ask; how many are the real customers of FDB, catering in the agricultural sector? Apart from that, how many are the real individual customers and not big businesses? When you compare the big businesses portfolio to small businesses portfolio, the big businesses will always represent the majority of the agricultural sector in the loan portfolio of FDB. It used to give out non-security loans to small farmers in the last couple of years, now it is no longer in existence.

Madam Speaker, for new farmers who wish to engage into financing from the FDB, one of the drawbacks is the first requirement of FDB and that is, they have to bring in the leasing instruments from iTLTB and to access that instrument, an average farmer could not afford the cost of that instruments from iTLTB. So that requirement has always been highlighted to FDB, that it will be very hard for any ordinary farmer from the village or from surrounding areas, to access loan facilities unless the FDB gives out unsecured loans.

Unfortunately, that exercise was terminated a couple of years back, maybe because of NLTB staff and NLTB's laxity in following up with the monitoring of loans from people who have accessed those loans. So, to be coming again to this House to seek an additional guarantee, the question is, what is this for? Who is the Bank going to serve in this additional guarantee - is it the big businesses or the real small individual farmers who was supposed to be served by this institution? Thank you, Madam Speaker.

HON. M.D. BULITAVU.- Madam Speaker, I concur with my Honourable colleague in regards to FDB. Most of the landowners who started with FDB have moved to ANZ and BSP. Most of us are real estate owners. We started with FDB, through the FAB initiative but now we have all jumped there because of the high interest rate with FDB.

The other problem with FDB, Madam Speaker, is the bureaucracy. Application forms are very confusing. All the requirements that are there takes six months or one year on processing alone in going to a loans officer, Madam Speaker. What is the problem, are we meeting the checklist?

At divisional level, Madam Speaker, it is very hard. We are talking about how we are investing in a financial institution which cannot match the competition of other banks in Fiji. That is the issue and for Government to continue giving grants is worth reconsidering the guarantee and also the opposition in regards to that, Madam Speaker.

The other issue is, most of the projects in the Northern Development Programme and other good grants been given by the Government, are funded by FDB but the delay in processing bulk of these applications, Madam Speaker, has been caused by FDB wanting security. Most of the *iTaukei* people who live in villages and native reserve land, do not have proper lease titles. So, they cannot access those kind of loans because the criteria set by FDB is too high. I hope these are some of the avenues which Government will consider as a condition of giving this guarantee to FDB, for FDB to at least make their processes more easier, put their criteria down and actually clean up their system to remove the bureaucracy which is in the Bank. *Vinaka vakalevu*, Madam Speaker.

MADAM SPEAKER.- Honourable Inia Seruiratu.

HON. LT. COL. I.B. SERUIRATU.- Thank you, Madam Speaker.

As the Minister responsible for agriculture, I want to place on record that I do appreciate the services provided by FDB and taking into consideration that for a farmer, there are only three important elements that you look for:

- (i) Labour;
- (ii) Land; and
- (iii) Capital.

Right now, farmers in Fiji are enjoying a low interest of 2.5 per cent on any agricultural loan. So, I strongly support the motion before the House.

HON. RATU K. KILIRAKI.- Madam Speaker, I hope that in guaranteeing this FDB loan will be more beneficial in terms of service provision for the taxpayers to be able to access FDB loans to small people who are usually out of the radar of the bigger picture of Government. I am always passionate with our subsistence farmers.

As I had mentioned and as we have also heard from my *Kaivata*, the Honourable Minister talking about big farmers, I am not talking about them. If you go to Sawani, you will see excavators in Chinese farms. They can afford to pay for those big machines and those who are working have gone out to farm as well because they have the money to expand into bigger farms. When I talk about one square chain, two

square chains, they do not have the financial capacity to be able to expand, and that is why we talk about diggers, and the help from the Government.

For the FDB provision, it is very hard for those small farmers to have at, least, \$1,000. You pay for a digger for \$50 an hour, and that will go a long way for them to be able to annually progress as they slowly increase their capacity to increase their farms. So in that way, you are empowering them in their aspirations to be economically viable - from subsistence farmers to be able to support their lives.

Secondly, whether these SMEs of \$1000, those who have received their \$1000 from the Government and whether it is open to applicants, not only for the numbers that we have at hand, whether this guarantee will provide for more expanded applicants, including these very farmers that I am talking about. Thank you, Madam Speaker.

HON. V.R. GAVOKA.- Madam Speaker, let me also contribute to the debate. Did I hear the Honourable Minister for Agriculture correctly, saying that the farmers have access to loans at 2.5 per cent interest?

HON. LT. COL. I.B. SERUIRATU.- Agricultural farmers are enjoying 2.5 per cent, subsidised by Government.

HON. V.R. GAVOKA.- So, at the end of the day, a farmer would only pay 2.5 per cent interest?

Madam Speaker, that is quite significant because banking is simply lending money that you do not need at this time which you park somewhere as a deposit because someone looks after it for you during the period he lends it out at an interest. It keeps some of that interest and pays you the interest for the use of the money. I mean, that is basically what banking is, you park your money with someone like the bank. It invests it and it takes its cut and then pays us an interest. If FDB is charging 2.5 per cent, where are they getting the money from? It takes a lot that needs to be clear here.

Madam Speaker, there are a number of bankers in Fiji, for example, the commercial banks like Westpac and ANZ and they take deposits because they hold the deposit. They reward you at a low rate because they also lend at low rates. Then you have the high risk lenders like the Merchant Finance or the Merchant Bank. Those banks do not ask you too many things and they can turn around a loan application very quickly but you pay a penalty at very high interest rates. So, the FDB would be borrowing from someone and they would pay and charge you a rate that will be higher.

Madam Speaker, I sit in a Board. We own some buildings in Sigatoka. We have to move from FDB to a commercial bank because of the high liquidity in the marketplace. We are now only paying 4.5 per cent with a commercial bank, whereas when we started off with the FDB, it was only about nine or 10 per cent. So the way I look at it, this guarantee goes straight which is not rewarded. There is no interest paid on it, to enable us to subsidise the farmers. That is fine with us, it is fine with me, to help the farmers but I am only worried about where that deposit is from. Then you lend on which you get the interest and it pays the interest on this side. I would like that to be clarified by the Government. Thank you, Madam Speaker.

HON. RATU S.V. NANOVO.- Madam Speaker, I think we have all heard the problems and the criticisms that are now being directed to FDB. It is quite clear, but the problem with FDB is that it is being guided by its Act. Its task is to finance all development projects that the Government wants and it is quite very risky. All the projects that FDB does finance are quite risky and that is why they need Government guarantee all the time.

I think the only way we can take away the Government guarantee is, if the Government can allow FDB to take deposits and build up its own cash base and commercial side to go on its own and the development side to go on its own, so that whatever profit that the commercial side gets from this side and

what losses are created on this side, they can start offsetting each other. Otherwise, it will keep on requesting for Government guarantee all the time because for all the agricultural loans, their repayments are normally worked out after an annual period. If, during that period, a disaster strikes and destroys all the crops, they cannot meet the repayment for that year, so they will have to build up the debt on the following year. So in that case, if the commercial arm is there, the profit from the commercial arm can pay off the debts on the development side. However, that can only happen if the Government allows FDB to accept deposits, Madam Speaker.

MADAM SPEAKER.- Thank you. Honourable Dulakiverata, you have the floor.

HON. J. DULAKIVERATA.- Thank you, Madam Speaker.

Madam Speaker, I want to support what my colleague had already said in regards to land titles. Before, the Bank used to take approval of leases or agreement for leases and now, they do not take it anymore. You have to have a registered lease and the Government has been giving a lot of agreement for leases, not only in agricultural areas but in squatter areas as well.

I had mentioned in my speech the other day, if you give this type of title to the squatters, they cannot take it to the bank to guarantee a loan or to be a collateral for their loan to develop their property. You cannot do that. The only means to guarantee them is by giving them the title which gives them an interest in the land where they will have to now pay rent which they were not doing before because they were squatters. They will be paying tax on town rates because they now have the agreement to lease.

The issue I am coming to is because of the lack of surveyors that we have, we need to look at this seriously if we really want to develop the agricultural sector and if you want to encourage people to loan. Therefore, the Government should seriously look at the lack of surveyors, it is a real issue. All those developments need to be surveyed, so the Government should seriously look at those issues.

Madam Speaker, before, in my time, in the sugar cane areas, they used to have the *vakavanua* title. They do not have any title, just an extension of their farm. They can plant cane on their native land and they get the FDB loan. Now, you cannot have those anymore and secondly, the service from FDB. When you go to FDB, you are given a cheque, you have to take this cheque and cash it somewhere else. If you come from the village, then you go to FDB to collect your cheque. If they have this ATM services, they can go to the nearest ATM to do their banking. The FDB needs to improve its services.

MADAM SPEAKER.- The Honourable Balminrra Singh.

HON. B. SINGH.- Thank you, Madam Speaker.

I just like to kill two issues here; one is with the Honourable Ratu Sela Nanovo on the issue of deposits for FDB. FDB is a cultural bank and under the Banking Act, it does not have the right to accept deposits because it is not a commercial bank.

Madam Speaker, the second issue is from..

(Inaudible Interjections)

HON. B. SINGH.- Let me finish and then you can talk.

The issue from the Honourable Jiosefa Dulakiverata, which is on the agreement to lease and the FDB does not allow that.

For your information, Madam Speaker, yesterday a farmer had a loan of \$0.5 million based on the agreement to lease and that is the fact, and I have the documents with me.

(Chorus of interjections)

MADAM SPEAKER.- There being no other input, I will now ask the Honourable and Learned Attorney-General and Acting Prime Minister to give his reply.

HON. A. SAYED-KHAIYUM.- Thank you, Madam Speaker.

I would like to thank the Honourable Members for their input. Obviously, FDB is an important institution but let me please remind all the Members of this House that FDB is not a commercial bank so the way that you view FDB should be viewed in a different light. It does not take deposits, Honourable Member. If you do start taking deposits, you need to meet various prudential requirements so

(Inaudible interjections by Opposition Members)

MADAM SPEAKER.- Excuse me, you do not have the floor. Carry on, Honourable Minister.

HON. A. SAYED-KHAIYUM.- I was merely stating what it does, it does not take deposits once you get in to take deposits, there are various other expenses that prudential requirements you have to meet. It is a statutory organisation and as I have highlighted, it is all the members from the other side of the House who have highlighted some issues they are all very pertinent issues which I highlighted in my introduction to the motion.

Yes, FDB needs to become less bureaucratic, FDB needs to become a lot more consumer friendly and yes, FDB portfolio does need to change even further. As we have stated around 2,219 accounts, Honourable Kiliraki should listen to this, which he talked about small farmer holdings, 80 per cent of those accounts are held by small farmer holders so it does cater for them. You have to be very clear on one hand you are talking about relaxing so many things.

The moment you start relaxing and you have issues with collateral like it happened with the National Bank of Fiji (NBF), where people were given guarantees. Ministers were writing guarantees in a small piece of paper and the bank was used as someone's own piggy bank, so it collapsed. We do not want FDB to collapse. Yes, we agree that it needs to be a bit more user friendly but it is a balancing act. You do not want FDB to collapse like NBF.

What happened when it collapsed; 51 per cent was sold to an Australian Bank and then later on, it bought the other 49 per cent. So we had a National Bank and we went to a zero National Bank. Fiji is the only country until only recently, that did not have its own National Bank. We now have our own National Bank which is Home Finance Company Limited (HFC). It is owned 100 per cent by the Fijian people. All the other banks in Fiji, apart from FDB Commercial Banks are owned by foreigners. So, we need to ensure that the prudential requirements of FDB even are in place.

Madam Speaker, the difference between this guarantee and government assistance for interest rates are different. As we discussed Head 50 yesterday, you will see an allocation of about 4.8 per cent under Head 50 that says that Government will subsidise the interest rates for those people who take out for example, farming loans. That \$4.8 million goes towards that. This guarantee, Madam Speaker, is to guarantee FDB when they go out into the market and raise money on a short term basis that we are guaranteeing the people buying those notes that they will pay and we will pay in the event that FDB fails to pay them. That is what this guarantee is for. I would like to once again highlight the fact that the FDB is going through a review process and yes, we do address those issues. It must address those issues, I completely agree with you. It had lost its way.

Madam Speaker, if you see the debt portfolio, in particular the bad debts written off, especially post 87, it was atrocious. There were some people actually who are quite wealthy people who are accessing loans from FDB. As you know, some of them benefited from the loan that was given to them were written off. In the Class A shares, you have other entities where FDB became a shareholder in Fiji TV when it started. It gave the loan first with shareholders and holding it in trust. These are the kind of things that we need to address and they are being addressed this review by FDB and we hope to bring to this Parliament a renewed Act pertaining to FDB. We want FDB to really grow well, so the Honourable Minister for Agriculture and other various Ministers are available to take advantage of it and those people that are at on the other side of the House also identified that they need to be assisted.

With those few words, I recommend, Madam Speaker, that we support this motion to give this guarantee to FDB. Thank you very much.

MADAM SPEAKER.- Thank you, Parliament will now vote.

The question is, pursuant to Standing Order 131 and for the purposes of Section of 145(1) of the Constitution of the Republic of Fiji that Parliament approve:

- 1) That the government guarantee the issue of \$125 million to the Fiji Development Bank for short and long term bonds, Promissory Notes, term deposits and other short term borrowings, effective from 1st January to 31st December, 2016.
- 2) FDB pays a fee of 0.075 per cent of the utilised guarantee credit and lastly, that the Government act as the guarantor for FDB.

Does any Member oppose the motion? There have been opposition, we will put the motion to vote.

Question put.

<u>Votes Cast:</u>		
Ayes	-	25
Noes	-	11
Not Voted	-	12

Motion agreed to.

Honourable Members, I have been advised that we need to retract in our proceedings so that procedurally, the Income Tax Bill No. 22 of 2015 is formally enacted. The Secretary-General had missed out on formalising the procedure of enactment and we beg your indulgence, Honourable Members.

SECRETARY- GENERAL.- A Bill for an Act to revise simplify and consolidate the laws relating to Income Tax (Bill No. 22 of 2015) enacted by the Parliament of the Republic of Fiji.

MADAM SPEAKER.- Thank you. Secretary- General.

ADJOURNMENT

MADAM SPEAKER.- I now call on the Leader of the Government in Parliament.

HON. LEADER OF THE GOVERNMENT IN PARLIAMENT.- Madam Speaker, I wish to convey to the other side of the House our very well wishes for a Merry Christmas and a prosperous 2016.

(Acclamation)

Madam Speaker, I move that Parliament adjourns to 9.30 a.m. on Monday 8th February, 2016.

HON. A. SUDHAKAR.- Madam Speaker, I beg to second the motion.

Question put.

Motion agreed to.

MADAM SPEAKER.- Since no Member opposes, Parliament is now adjourned to 9.30 a.m. on Monday 8th February, 2016.

Honourable Members, that brings us to the end of our sitting for this week and also for 2015. I wish to take this opportunity to thank all Honourable Members for your contributions throughout the year. I also take this opportunity to wish you, Honourable Members and all the guests in the gallery a very Merry Christmas and a Prosperous New Year.

The Parliament is now adjourned to 9.30 a.m. on Monday 8th February, 2016.

The Parliament adjourned at 4.38 p.m.