

Discussion and activities

1. Quick Quiz

Work in pairs or small groups to answer these questions. All the answers can be found in the information you have just read.

1. Name three things on which the Government spends public money.
2. Where does the Government get the money it needs?
3. What is VAT?
4. What is the Budget?
5. How often does the Government develop a Budget?
6. Who delivers the Budget speech to the House?
7. Why does the Government need "the confidence of the House"?
8. What could happen if Parliament didn't approve the supply of money to the Government?
9. How does Parliament examine the Government's spending plans?
10. What does "no taxation without representation" mean?

2. Building Understanding of the Vocabulary and Concepts

Identify words that were new to you or that you didn't understand. Write what you think each word means, find the definition, and then explain how the word relates to your life. Use this example to help you.

New Word	What We Think it Means?	Dictionary Definition	Our Explanation
Budget	When you need to save money, you make a budget.	An estimate of income and expenditure for a set period of time.	A budget is a plan that helps us manage our money so that there is enough to go around for everything that we need.

Here are some suggestions to get you started:
supply, confidence, Estimates, Appropriation, policies.

Try This

Look at the receipts for several items that you have bought recently, for example, food, games, and items of clothing. Work out how much VAT is included in each price.

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DISCOVER Parliament

What is Parliament's role in making decisions about money?

Have you ever thought about where the money comes from to pay for school buildings, equipment, and teachers' salaries? Or who pays for our hospitals, the doctors and nurses who work in them, and all the special equipment inside them?

Most of the money for these services comes from taxes. Tax money is collected from the people of Fiji to pay for the services people need. Such services are sometimes referred to as "infrastructure". The Government decides how tax money will be collected, how much will go to each service, and how it should be used. Parliament debates the Government's spending plans before approving them.

Why does the Government need money?

It takes a lot of money to fund education, the police, social welfare, health, and the other services that we think of as essential.

Governments also have policies that they want to carry out. Policies are like plans and promises. When the Government is formed, it will usually outline what its policies are at the beginning of a new parliamentary term. These policies could include providing more money for things like education, health, or roads.

The Government needs tax money to provide services and carry out new policies.



Where Does the Government Get the Money It Needs?

Taxes

Most of the money that the Government spends comes from taxes. Taxes are compulsory payments, collected for the Government by Fiji Revenue and Customs Authority (FRCA). There are different kinds of tax, including the following:

1. Income tax: Everyone who earns money from working pays income tax. This tax is taken out of their income (the money they earn) automatically. The higher their income, the more tax they pay. But if someone earns only a small amount (for example, by delivering newspapers or leaflets), they may not have to pay any tax.

2. Company tax: Businesses and people who work for themselves must pay tax on the money they make.

3. Value Added Tax (VAT): People pay VAT every time they buy a product (for example, food or clothes or using a phone). VAT is paid on all items, including big ones such as cars, houses, and land.

4. Investment tax: People who have investments, including money in bank accounts, pay tax on the interest and profits.

5. Customs duty: People who bring certain kinds of products into Fiji must pay tax on them.



THAT'S INTERESTING

Taxes are compulsory – we have to pay them. In historical times, the King or the Queen would decide how much tax would be paid and how the money would be spent. If the people thought these decisions were unfair, all they could do was grumble.

Eventually, people demanded that there should be “no taxation without representation”. This led to the development of democratic types of government like ours.

In Fiji, the Government can only change the way we are taxed with the approval of Parliament. The members of Parliament who represent us help to make those decisions on our behalf.

Borrowing

The Government can also borrow money from overseas banks and institutions. But loans need to be paid back, with interest. Parliament must approve all Government borrowing.

What is the Process for Allocating Money?

The Government can't just spend money on whatever it likes. Parliament follows clear procedures for approving how the Government can spend money.

The Government asks Parliament to approve the money it needs to run the country (known as “supply”). If Parliament approves, the Government is said to have “the confidence of Parliament”. To gain this approval, the Government needs the support of the majority of members of Parliament (more than 50 percent).

Having the confidence of Parliament is very important for the Government. A vote of “no confidence” would stop it spending any money, and it would almost certainly have to resign. An election would follow.

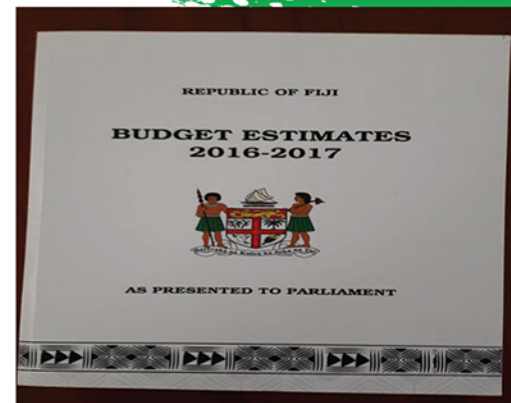
The Budget

Every year, the Government makes a spending plan for the next 12 months, beginning in May. This plan, called “the Budget”, is usually presented to Parliament in June. In the Budget, the Government explains how much it intends to spend and where it intends to find the money. Parliament thoroughly debates the Budget before approving it.

Budgets have to take into account how much money the Government owes and how much money it needs to spend. The people who prepare them have to think of the future as well as the present. It can be a bit of a balancing act to try to provide money for everything. Sometimes hard decisions have to be made about what to spend the money on, and everyone does not always agree.

THAT'S INTERESTING

The principle that Parliament must approve the spending of public money goes back a long way. In 1376, the English Parliament refused to give the King access to public money until he dealt with its grievances. In 1380, the Speaker requested a breakdown of how the King planned to spend money. This spending plan was an early version of today's Estimates.



WHAT IS IN THE BUDGET AND HOW IS IT APPROVED?

1. The Budget package includes the Appropriation Bill, the Estimates, and the Minister responsible for Finance speech to the House. The Appropriation Bill outlines the Government's spending plans for all its areas of responsibility.
 - The plans for each area are called the Estimates.
 - In a speech to Parliament, the Minister responsible for Finance introduces the Budget and details the Estimates.
 - The Appropriation Bill must become law before any public money is spent.
2. Parliament debates the Budget. This ensures that it is thoroughly examined and discussed.
3. Parliament goes into the Committee of the Whole to debate the Budget. Ministers again defend their spending plans, this time in front of the whole Parliament.
4. The Appropriation Bill goes into its third reading and then receives the President's assent.



Members of the public & guests in the Parliament Gallery during the 2016-2017 Budget Presentation



Old Parliament Complex, Veluto