



## The Fijian Government

### Tax Policies

### 2018-2019 Budget Highlights

Fiji's nine straight years of economic growth have been guided by fair, transparent and competitive revenue policies that have brought taxes on companies to record lows, decreased personal income tax obligations, and lowered the tax burden on Fijian consumers. Despite those unprecedented tax cuts, government revenue has increased due to stronger and more effective tax administration procedures that have given certainty and confidence to Fijian businesses and taxpayers.

Government's fiscal policy is a powerful tool in ensuring sustained positive economic growth by targeting resources to drive economic activity in priority areas across the Fijian economy. In the year ahead, the Fijian Government will maintain a low, reasonable and equitable tax structure that incentivises private sector investment and responsibly manages government's spending priorities. The revenue policies in the 2018-2019 budget are not only designed to sustain Fiji's economic growth, but also ensure that growth remains inclusive, with the benefits shared by all Fijians.

Unless otherwise specified, excise tax, fiscal import duty and import excise duty changes listed below are effective from 28 June 2018, while all other tax changes will be effective from 1 August 2018.

#### New Tax Incentives

- Government will introduce the following tax incentives to encourage and support investments and activities in the targeted areas:
  - 150% tax deduction will be provided for cash contributions above \$10,000 by corporate sponsors towards the hosting of the Asian Development Bank Annual Meeting in May 2019.

- To promote the upgrade and modernisation of buildings, the following incentives will apply for capital investments above \$1 million (excluding interior furnishings, furniture and fittings):
  - A 125 percent tax deduction on total expenditure incurred for renovation and redevelopment;
  - A 25 percent investment allowance on total capital expenditure incurred for extension or redevelopment; and
  - As part of qualification, applicants are required to ensure there is disability access, a green technology is utilised, such as solar panelling, and that lights are installed outside the buildings.
  - This development incentive will apply to buildings that are five years or older. It excludes hotels and apartments, as these are covered by the Income Tax (Hotels Incentives) Regulations 2016. Property owners can claim this incentive only once, and they will receive provisional approval based on plans and a standard allowance granted upon completion of site inspection and audits.
  
- Government will be introducing a 250 percent tax deduction on expenditure incurred for eligible Fijian companies investing in Research and Development in the sectors of ICT and renewable energy sectors.
  
- In addition to increasing the Maternity Leave entitlement from 84 days to 98 days, Government will also be introducing 5-day Paternity Leave and 5-day Family Care Leave. There will be a 150 percent tax deduction for employers on salaries and wages paid to employees during Paternity and Family Care Leave.
  
- To encourage training and development for employees on job, a 150 percent tax deduction will be provided to employers towards the cost of staff training through accredited training providers, both local and overseas.
  
- The Accelerated Depreciation Provision will be extended to all greenhouse and nursery buildings, research labs and pack houses.

- Any gain made by a resident person or resident private company from the sale of any capital asset and/or shares or re-organisation, restructure or amalgamation of a company for the purpose of listing on the South Pacific Stock Exchange, which is counted as income, will be exempted. The exemption will also be extended to public companies.

### **Service Turnover Tax (STT) and Environment and Climate Adaptation Levy (ECAL)**

- The STT and ECAL threshold of \$1.25 million, which is currently applied for licensed restaurants, bars, clubs, bistros and coffee shops, will now be aligned to all other prescribed services for the application of STT and ECAL. This will raise competitiveness of smaller businesses and support their expansion. In addition, a new provision will be included to take action against those businesses that fall under this threshold but illegally charge for and pocket false ECAL fees.

### **Health and Medical Services Tax Measures**

- In support of ongoing efforts to encourage healthy lifestyles in Fiji, combat the spread of non-communicable diseases and prolong longevity, Government has changed import fiscal duties and local excise as follows:
  - Reduction of fiscal import duty on apples, grapes, oranges, pears, kiwi fruits, strawberries, apricot, peaches, plum, grapefruit, raspberries, cranberries, pomegranate, carrots, mixed vegetable, celery, capsicum, mushrooms, asparagus, leeks, spinach, cauliflower, broccoli and brussels sprout from 5 percent to 0 percent.
  - Reduction of fiscal import duty on tea from 5 percent to 0 percent.
  - Impose a higher specific duty rate of \$2.00 per litre on imported carbonated and sweetened drinks.
  - Increase in local excise and import excise duty on cigarettes, tobacco and alcohol by 15 percent.

- The Medical Investment Incentives Regulations will be amended to include hospitals under Public-Private Partnership (PPP) arrangements, enabling investors to enjoy the incentives and concessions under the medical investment incentives package.

## **Transportation Tax Measures**

### **Used Motor Vehicles Below 2 Years Old**

- Previously, used motor vehicles attracted a 32 percent duty or a specific duty rate based on engine size, whichever was higher. In the next financial year, the percentage duty has been decreased to 15 per cent and the specific duty rate has been cut in half, importers will still pay the higher of the two amounts. This will encourage the importation and trade of newer cars, provide more competition in the vehicle market and decrease the age of cars on the road in Fiji.

### **Public Transport**

- In the 2017-2018 Budget, Government introduced concessionary duties on taxis, buses and vessels to encourage the development of public transportation in Fiji. In the 2018-2019 Budget, the public transport incentive for taxis will be extended to include used normal taxi vehicles that are less than two years old. These vehicles will attract half the subsisting rate applied on used vehicles less than two years old. All of the new and existing incentives to encourage investment in public transport, including the duty regime on taxis, buses and inter-island shipping, have been extended until June 2021.
- To assist inter island shipping companies with cost of repainting their vessels, the Customs Tariff Act will be amended (Concession Code 245) to include marine paints not manufactured or available locally, allowing them to be imported at concessionary rates of 15 percent fiscal import duty, zero import excise and 9 percent VAT.

### **Electric Vehicle (EV) and EV Charging Station**

- To encourage investments in EVs, Government will introduce a 55 percent capital deduction for any purchase of EV. This incentive will be available for the next 5 years.

- Currently, the income of any business setting up Electric Vehicle Charging Stations shall be exempt from tax for a period of 7 years provided the capital investment incurred in the development of electric vehicle charging stations is more than \$500,000. In the 2018-2019 financial year, Government will be reducing this minimum capital investment to \$100,000.

### Airline Companies

- Government will be introducing a new Concession Code in the Customs Tariff Act to lower import tax rates on imported aircraft consumables for local Fijian airline companies who service overseas routes.

The list of items is as follows:

- Aircraft paints, paint thinner and paint hardener;
- Aircraft cleaning chemicals (various specialised chemicals for aircraft cleaning for e.g. lavatory chemical, sink cleaning, etc);
- Aircraft adhesives and sealants (various to be used on board);
- Aircraft disinfection spray – aerosol and liquid (for fumigation and disinfectant purposes);
- Aircraft biocide chemicals (used to clean aircraft fuel tank to eliminate fungus);
- Aircraft seat cover material – fabric and leather;
- Aircraft decals and placards (signage used on the aircraft);
- Aircraft pre-mask spray set (stencils for aircraft logo, design etc, Designs are made with the stencils, painted and then peeled off);
- Aircraft manuals – books and compact discs;
- In-flight audio- tapes, compact discs and on-board media loaded drives;
- Aircraft fuel tank treatment kits (to check fuel samples before and after biocide cleaning);
- Oil sample kits (Oil is filled in the kits and sent to laboratory abroad for testing);
- Water finding paste (to test for any leakages). Comes in the form similar to “plasticine” or “crystals”;
- All kinds of tapes used for aircraft maintenance (Aluminium Tapes, Ducting Tape, High Speed Tape); and

- Grease for aircraft servicing (current concession is on oil, fuel and grease used in the production of cooling agent).

## **Environment Policy Initiatives**

- The plastic bag levy introduced in the 2017-2018 Budget on plastic bags at retail outlets that have point-of-sale registers will be increased from 10 cents to 20 cents to further discourage the use of plastic bags and promote the use of reusable bags.

## **Resident Interest Withholding Tax Measures**

- The current Resident Interest Withholding Tax (RIWT) threshold will be increased from \$16,000 to \$30,000 to be consistent with the individual income tax exemption threshold.

## **Information and Communications Technology (ICT) Initiative**

- To make the existing ICT incentives more encompassing and stimulate investment in the sector, the definition of ICT in the Income Tax Regulations will be widened to include customer contact centres, engineering and design, research and development, animation and content creation, distance learning, market research, travel services, finance and accounting services, human resource services, legal procedure, compliance and risk services and other administrative services.

## **Tax Administration Reforms**

- Government will also be undertaking a number of legislative reforms to streamline the collection of taxes and prepare for a modernisation of tax collection, management and usage.

## **Other Tax Measures**

- Introduction of a new Concession Code in the Customs Tariff Act for High-density polyethylene (HDPE) Food Grade Plastic Pallets to be imported at zero fiscal import duty, zero import excise, and 9 percent VAT.

- Import fiscal duty on Linear Low Density Polyethylene (LLDPE) Stretch Wraps will be increased from 5 percent to 32 percent to protect local manufacturers.
- Creation of a new Concession Code in the Customs Tariff Act for the importation of noodle flavours in bulk with import concessionary rates, zero fiscal import duty, zero import excise, and 9 percent VAT.
- Widening the scope of Code 231 of the Customs Tariff Act to be extended to exporters who are not producers or manufacturers.
- There will be an increase in import fiscal duty on structural sheeting from 5 percent to 32 percent to protect local manufacturers.