

## 2016 BUDGET REVENUE POLICIES – TAX AND CUSTOMS

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# 2016 BUDGET SUMMARY OF REVENUE POLICIES

## INCOME TAX ACT (ITA)

### ♣ Changes to the Hotel Incentives - Short Life Investment Package (SLIP) and Investment Allowances:

#### ➤ **For Existing Hotels:**

- There will be no SLIP and Investment Allowance incentives from 2017.
- The 55% Investment Allowance will continue to exist in 2016 at a reduced rate - from 55% to 25%. Projects must start in 2016 and be completed within 2 years.

#### ➤ **For New Hotel:**

- A new SLIP incentive with 4 years tax holiday will be available to new hotels from 2017. This SLIP incentive will not be applicable to renovations.
- New hotels will also enjoy 25% Investment Allowance but only once for the project.

#### ➤ **Loss Carry Forward:**

- The loss Carry forward will be reduced from 8 years to 4 years in 2016. However, hotels that are entitled to 8 years loss carried forward as at 31 December 2015 will not have their loss carry forward reduced to 4 years.

All SLIP applications received before 1 January, 2017 will be processed under the existing incentive framework.

#### ➤ **Other Changes:**

- The definition of “project” in the Eleventh Schedule to the Income Tax Act will be amended to exclude “selling” and “residential”.

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### ◆ Changes to the Tax Free Region (TFR) Incentives – Nausori to Lautoka

- TFR incentive will be extended from Nausori Airport side of the Rewa Bridge (excluding township boundary) to the Ba side of Matawalu River.
- The following rules will apply for all TFR applications from 2016:
  - A **provisional approval** will be issued with duty concessions.
  - A **final approval** will be issued at the completion of investment to confirm tax holidays.
  - All projects must commence within 18 months from the date of provisional approval being issued.
  - The provisional approval will be revoked if the projects do not commence operations after 18 months from the date of approval, and any duty forgone will become collectable with appropriate penalties.



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- ◆ **Medical Services Incentives**
  - For setting up of **Private Hospitals**
    - 10 years tax holiday for minimum investment of \$7m;
    - 60% Investment Allowance will also apply for refurbishments, renovations and extensions with a minimum investment level of \$1m;
    - Customs Concessions: Code 222 applies.
  - For setting up of **Ancillary Medical Services**
    - Examples include : pathology lab, MRI, other diagnostics;
    - 4 year tax holiday for a minimum investment of \$2m;
    - 60% Investment Allowance will also apply for refurbishments, renovations and extensions with a minimum investment level of \$500,000;
    - Customs Concessions: Code 222 applies.
  - Provisional and Final approval process will apply for claiming of duty and tax incentives respectively.
  - Loss Carry Forward of 8 years
- ◆ **Residential Housing Development Package (affordable housing for ordinary Fijians)**
  - Developer Profit exemption based on project size.
  - Grant of Subsidy based on cost.
  - Duty Concession.
  - Minimum Project size – 20 units strata titles or 20 lots.
- ◆ **Export Income Deduction**
  - Export Income Deduction will be maintained at 50% for 2016.
- ◆ **Tax Deduction on Head Quarters (HQ) Relocation to Fiji**
  - 150% tax deduction will be available for capital expenditure incurred for the set-up of the HQ relocation to Fiji.
- ◆ **Tax Deduction on Fijian Made Uniforms**
  - Annual tax deduction of up to **50%** of the value of Fijian made uniforms supplied by businesses to their staff will be available provided the cost of the uniform is not recovered from staff.
- ◆ **Audio Visual Incentives**
  - The sixth Schedule to the Income Tax Act is amended to allow the Minister to revoke any temporary studio city zone.
- ◆ **Contractors Provisional Tax**
  - Reduce Contractors Provisional Tax rate from 15% to 5%. Certificate of Exemption (COE) will no longer be issued.

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- ◆ **Employer Monthly Schedule (EMS)**
  - EMS to be lodged half yearly by employers who have all their employees below the income tax exemption threshold.
- ◆ **FRCA Gold Card Service**
  - FRCA Gold Card service quota will be increased in 2016.
- ◆ **Taxation of entities under Diplomatic Privileges and Immunities Act (DPIA)**
  - New law to clarify taxation of entities under DPIA will be governed by agreements signed by Government.
- ◆ **Credit Card Levy**
  - Credit Card levy will be increased from 2% to 3%.

## TAX ADMINISTRATION DECREE (TAD)

- ◆ **Tax Compliance Certification**
  - All public sector tender bid and expression of interests by resident persons are required to be tax compliant.
- ◆ **Bad Debts**
  - Bad Debts written off will be reinstated for collection upon taxpayer's ability to pay.
- ◆ **Tax Agents**
  - A new section in Tax Administration Decree for Tax Agents Code of Conduct will be introduced.
- ◆ **Tax Losses**
  - Audit penalties will apply on abuse of losses.
- ◆ **Tax Amnesty - Declaration**
  - Tax Amnesty will be introduced for Declaration of all **undeclared** assets within Fiji.
  - Amnesty period: 1 January 2016 to 30 September 2016.
    - ❖ No tax charge and penalties will be imposed. Income streams associated with those assets will be taxable from 2017.
- ◆ **Tax Amnesty - Filing of Outstanding Returns and Payment of Taxes due.**
  - Tax Amnesty will be introduced for Fiji citizens who have not fulfilled their tax obligations by filing and paying the correct taxes of previous taxable periods. This will give them the opportunity to voluntarily come forward and pay the correct taxes due by the end of December 2016.
  - Late lodgement and late payment penalties will be waived in full.

## 2016 BUDGET REVENUE POLICIES – TAX AND CUSTOMS

### ◆ Taxpayer Identification Numbers

- Extend the list of institutions requiring Taxpayer Identification Numbers to include:
- Registrar of Titles;
- Fiji Public Trustee Corporation;
- Any licensing or registration agency;
- Any Government agency; and
- Professional bodies.

### ◆ Tax Refunds

- Minimum tax amount refundable or payable is increased from \$5 to \$10.

### ◆ Tax and Customs penalties

- Non reduction in prices due to tax and duty reductions are punishable by a penalty of \$50,000 and upon conviction to a fine of up to \$100,000 or 5 year imprisonment

## FRCA ACT CHANGES

### ◆ Whistle Blowing

- A new provision will be introduced in the FRCA Act for the protection and monetary rewards for whistle blowing.

## CAPITAL GAINS TAX (CGT)

### ◆ Capital Gains Tax (CGT) exemption threshold

- The CGT exemption threshold will be reduced from \$20,000 to \$16,000 to align with the income tax exemption threshold

## SERVICE TURNOVER TAX (STT)

### ◆ Increase Service Turnover Tax (STT) and Introduce Environmental Levy

- Increase in STT rate from **5% to 10%**.
- Introduce a new law (Act) for Environmental Levy at a rate of 6%.

### ◆ Changes in Service Turnover Tax (STT) Threshold

- The threshold for **bistros, coffee shops and restaurants** will be reduced from \$1.5m to \$1.25m.
- The threshold for **charter flight services** will be removed with the exception of medical and disaster operations.
- The threshold of \$300,000 for **water sports** will be removed.
- The threshold of \$50,000 for **accommodation in private residence or property that accommodates tourists, international students and overseas visitors** will be removed.

## 2016 BUDGET REVENUE POLICIES – TAX AND CUSTOMS

- ◆ **Introduce Anti-avoidance provisions**
  - Include anti-avoidance provisions in the STT Decree
- ◆ **Amend Schedule 2 of STT Decree**
  - Remove the anomaly of STT on non-consumption services by hotel properties (delete paragraph 16 of Schedule 2 of STT Decree).

### STAMP DUTIES ACT

- ◆ **Waiver for Small and Micro Enterprises**
  - Waiver of stamp duty for SME on all instruments.
- ◆ **Exemption for Home Buyers**
  - Stamp duty exemption for first time home buyers based on the following conditions:
    - applicable to Fiji citizens; and
    - property is in Fiji; and
    - this is the first property in the lifetime of the purchaser.
- ◆ **Introduce Anti-avoidance provisions**
  - Include anti-avoidance provisions in the Stamp Duties Act
- ◆ **Exemption for Crop Lien**
  - Stamp duty will be exempted on crop lien.
- ◆ **Introduce Stamp Duty on New Registration of Vehicles at LTA**

- Stamp duty on **new registrations** at LTA will be applied at the following rate:

Engine Size	Rate of Stamp Duty (F\$)
0-999cc	25.00
1000-1599cc	50.00
1600-1999cc	100.00
2000-2599cc	200.00
2600-2999cc	300.00
3000-3599cc	400.00
3600cc +Commercial vehicles	500.00

- ◆ **Assignment of Trademarks**
  - Stamp duty of 3% will be imposed on the value of the trademark that is being transferred by way of Deed of Assignment.
- ◆ **Increase Stamp Duty Penalty**
  - Penalty on transfer under conditional exemption will be increased from 5% to 10%.

## 2016 BUDGET REVENUE POLICIES – TAX AND CUSTOMS

- ◆ **Stamp Duty Waiver and Refund**
  - CEO may waive or refund stamp duties up to \$10,000.
- ◆ **Finance Leases and Loan Agreement**
  - Stamp duty will be applicable at the rate of 1.75% on loan agreements including financial lease and related party loans but excluding all personal loans of up to \$10,000.
- ◆ **First house exemption – conditions of entitlement to conditional exemption**
  - No stamp duty to apply as long as it is your first house.
  - Remove the existing conditions:
    - that the house should not have more than 2 flats; and
    - that you have to stay in the house for at least 5 years.

## VALUE ADDED TAX DECREE (VAT)

- ◆ **VAT Rate Reduction**
  - The VAT rate will be reduced from 15% to 9% from 1 January 2016.
- ◆ **VAT Zero Rated Supplies**
  - VAT will be imposed on the following items:
    - Basic food items;
    - Prescriptions and Repeats;
    - Kerosene; and
    - Imported fish supplied to fish processors.
- ◆ **VAT on Government Grants**
  - Exemption of VAT on Salary and Wages components of SEG 6
- ◆ **Zero rate VAT on health products for special cases**
  - Goods under the following categories to be VAT zero rated –
    - (a) Correct a deformity of the human body;
    - (b) Afford support to an abnormal condition of the human body; or
    - (c) Substitute any part of the human body
  - To align with code 110 (goods imported for blind, deaf, dumb and other disable persons).
- ◆ **VAT on Movie Productions**
  - Film production companies with the provisional approval for rebate are entitled for VAT refund.
- ◆ **Remove zero rating of first \$30 of FEA Bill**
  - Removal of zero rating of first \$30 of FEA bill to be legislated.

## 2016 BUDGET REVENUE POLICIES – TAX AND CUSTOMS

### ◆ Amend First Schedule of VAT Decree

- Exclude “residential apartments which provide hotel-like accommodation and facilities” from “residential dwelling”.

### ◆ Export Remittance

- Remittance of export proceeds back to Fiji to be verified for claiming of VAT Zero Rating.

### ◆ TVRS Licence

- TVRS licence expiry to be 31<sup>st</sup> December every year.
- Pro-rata to be applied for licences granted during the year.

### ◆ VAT Penalty

- 300% VAT penalty to be re-introduced to enforce VAT compliance.

## CUSTOMS TARIFF ACT (CTA)

**Table 1: 2016 Fiscal Duty Changes**

Policy	Description
1. Raw materials	♣ Zero duty on all raw materials and packaging materials. Accordingly, Duty Suspension Scheme (DSS) will be removed
2. Quad Bikes	♣ Reduce duty and import excise on Quad Bikes from 15% to 5%
3. Motor Cycles	♣ Reduce duty on Motor Cycles from 15% to 5%.
4. Bicycles	♣ Reduce duty on Bicycles from 5% to 0%.
5. Vehicles (Mini Bus)	♣ Reduce duty on vehicles carrying 10-22 passengers from 32% to 5%.
6. New tyres	♣ Reduce duty on new tyres from 32% to 5%.
7. Second hand tyres	♣ Increase duty on second hand tyres from \$16/tyre to \$30/tyre.
8. Tea	♣ Reduce duty on tea from 15% to 5% .
9. Testing kits & diabetic strips	♣ Reduce duty from 5% to zero duty on testing kits and diabetic strips.
10. Fire safety equipment	♣ Remove duty on fire safety awareness equipment
11. Diagnostic equipment	♣ Diagnostic equipment to be duty free. Examples include lab diagnostic equipment, blood test and other related equipment.
12. Solar batteries	♣ Batteries imported with the electrification equipment attract duty free, otherwise, normal rate of duty will apply
13. Electrical junction and mounting blocks	♣ Increase fiscal duty from 15% to 32% on electrical mounting block, electrical wall box, electrical junction box and PVC cable ducting.
14. Air Compressors	♣ Align import duty of 5% on all types of air compressors.
15. Electric Cables	♣ Reduce duty for electrical cables not manufactured locally from 32% to 5%. ♣ New item to be added in concession code 124 for cables not manufactured locally.



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Policy	Description
16. Sewing machines	♣ Removal of duties on sewing machines, spare parts and, consumables (buttons, fasteners, needles, zippers, fabrics)
17. Auto Rickshaws (tuktuk) – three wheeler vehicle	♣ Reduce fiscal duty (from 32% to 5%).
18. Pre-printed paper for corrugated box	♣ Increase import duty rate from 5 % to 32% on imported pre-printed paper for corrugated box for manufacturing purposes
19. Downtown Duty Free	♣ Introduce the Downtown Duty Free Concession.
20. Kayaks	♣ Reduced duty on kayaks from 32% to 5%
21. Packaging materials in rolls (printed and unprinted films in rolls)	♣ Duty protection rate on packaging materials in rolls (printed and unprinted films in rolls) – 32% or \$5 per kg, whichever is greater.
22. Day old chicks	♣ Reduce from 5% to zero.
23. Fertile Eggs	♣ Reduce from 32% to zero.
24. Under pants and briefs	♣ Reduce duty from 32% to 5%
25. Baby Garments	♣ Reduce duty from 32% to 5%
26. Luxury Goods	♣ Reduce duty from 32% to 15% on the following luxury goods: <ul style="list-style-type: none"> <li>♣ Perfume</li> <li>♣ Beauty or makeup preparation for care of skin</li> <li>♣ Pre-shave, shaving or after shave preparations</li> <li>♣ Cameras and camcorders</li> <li>♣ Sunglass</li> <li>♣ Binoculars</li> <li>♣ Video &amp; electronic games</li> <li>♣ Watches</li> <li>♣ Ipod, MP3 and MP4 players</li> <li>♣ Jewelry</li> </ul>
27. Deodorants	♣ Reduce duty from 15% to 5%.
28. Wireless Modem	♣ Reduce duty from 5% to zero.
29. Fabrics	♣ Reduce duty from 5% to zero.
30. Tyre tubes	♣ Reduce duty on vehicle inner tubes (of rubber) from 32% to 5%. ♣ Reduce duty on bicycles inner tubes (of rubber) from 15% to zero.
31. Furniture for Schools and Religious Organisations	♣ Reduce duty from 32% to 5% for 1 year only.

***Note:** Some of the goods on which concession code is applicable has now been accommodated in the Customs Tariff such as duty reductions on day old chicks, fertile eggs, yachts and vessels for cargo, passenger, etc.*

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**Table 2: 2016 Import Excise Changes**

Policy	Description
1. Vehicles	♣ Reduce import excise on vehicles carrying 10-22 passengers from 15% to 5%.
2. Quadbikes	♣ Reduce import excise on Quad Bikes from 15% to 5%.
3. Auto Rickshaws	♣ Reduce import excise from 15% to zero for Auto Rickshaws (tuktuk) – three wheeler vehicle.
4. Electrical Cables not manufactured locally	♣ Reduce Import Excise from 10% to 5%.
5. Furniture and Mattress	♣ Reduce import excise from 10% to zero.

### EXCISE DUTY

**Table 3: 2016 Local Excise Changes**

Policy	Description
1. Tobacco and alcohol	♣ Increase tax on tobacco and alcohol by 18.5% (12.5% Excise Duty and 6% Health Levy).
2. Sugar Sweetened Drinks	♣ Introduce a 5 cents/litre Health Levy on Sugar Sweetened drinks.

**Table 4: 2016 Excise Rates**

Description	2015 Rates	2016 RATES
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or less	\$1.90/litre	\$2.25/litre
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or more	\$2.22/litre	\$2.63/litre
Potable Spirit Not Exceeding 57.12 GL	\$41.88/litre	\$49.63/litre
Potable Spirit Exceeding 57.12 GL	\$73.33/litre	\$86.90/litre
Wine: Still	\$2.95/litre	\$3.50/litre
Sparkling	\$3.37/litre	\$3.99/litre
Other fermented beverages: Still	\$2.95/litre	\$3.50/litre
Sparkling	\$3.37/litre	\$3.99/litre
Ready to Drink Mixtures of any Alcohol and non-alcoholic beverages of an alcoholic strength by volume of 11.49% or less	\$1.36/litre	\$1.61/litre

## 2016 BUDGET REVENUE POLICIES – TAX AND CUSTOMS

Description	2015 Rates	2016 RATES
Cigarettes from local tobacco per 10 sticks	128.69 cents	152.50 cents
Cigarette from imported tobacco per 10 sticks	193.03 cents	228.74 cents
Manufactured tobacco containing tobacco grown outside Fiji	\$111.22/kg	\$131.80/kg
Manufactured tobacco containing tobacco grown in Fiji	\$65.34/kg	\$77.43/kg
Manufactured tobacco containing tobacco grown outside Fiji and tobacco grown in Fiji:		
Tobacco grown outside Fiji	\$111.22/kg	\$131.80/kg
Tobacco grown in Fiji	\$65.34/kg	\$77.43/kg

### OTHER CUSTOMS CHANGES

**Table 5: Customs Legislative Changes**

Policy	Description
1. Section 95 amendments	<ul style="list-style-type: none"> <li>♣ Section 95 of the Customs Act to include powers for Comptroller to dispose goods that are placed under lien for recovery of duty/penalty.</li> <li>♣ Goods which are subject to lien can be disposed in manner to be determined by Comptroller for the recovery of duty/penalty (Section 95A1).</li> </ul>
2. Refunds (Section 96)	♣ Comptroller may waive underpayments, if the amount underpaid does not exceed \$10 (to align with the proposed changes in TAD)
3. Extension of time to pay tax (New Section 101B)	<ul style="list-style-type: none"> <li>♣ New provision to allow payment arrangement of duty equivalent to section 25 of TAD.</li> <li>♣ This will only apply when at the conclusion of investigation and audit there is a duty shortfall and the importer will make a request in writing for extension of time to pay duty and penalty.</li> </ul>
4. Prepayments (Section 92)	♣ Allows importer to make payments in advance before importation of goods. When goods are finally imported then advance payments will be deducted for the payment of duty.
5. Deferred Payment	♣ Goods are cleared from Customs control and the payment of duty will be made within agreed time framework, subject to importers compliance level. If they do not honor the payment arrangements then the late payment penalty will apply.

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Policy	Description
6. Customs Dog (New Provision)	<ul style="list-style-type: none"><li>♣ Gives power to Customs to use Customs dog to carry out searches and related matters. The new provisions:<ul style="list-style-type: none"><li>- Sets out offences relating to obstruction of Customs dog carrying out its duty.</li><li>- Customs dog to be included in search warrants.</li></ul></li></ul>
7. Customs Act and Excise Act	<ul style="list-style-type: none"><li>♣ All warehouses to be Occupational Health and Safety (OHS) compliant and National Fire Authority compliant.</li></ul>
8. Vehicle Imports	<ul style="list-style-type: none"><li>♣ All new vehicles will now be EURO 4 compliant and second hand vehicles will be EURO 4 but less than 5 years of manufacture for unleaded and diesel and less than 8 years for LPG, CNG, Solar, Electric &amp; Hybrid vehicles.</li></ul>

## AIRPORT DEPARTURE TAX ACT

Policy	Description
1. Transit Passengers	<ul style="list-style-type: none"><li>♣ Transiting less than 12 hours are exempted from Airport Departure Tax.</li></ul>

**END**

*\*For avoidance of doubt, please refer to the 2016 Budget Supplement*