

## TAX TALK – AGRICULTURAL SECTOR INCENTIVES

Agricultural sector is one of the backbones of Fiji's economy, contributing around 28% to total employment in the formal sector and indirectly employing many more. This sector which was once a major stronghold of Fiji's economy is the third largest now, contributing \$451 million (9%) annually to the nations GDP.

The Fijian government has injected millions of dollars into this sector to assist those that are directly or indirectly involved in Agriculture. Government has confidence in the agriculture sector and has laid a long term plan where we will have large commercial farms taking Fiji into a new agriculture era.

A number of Tax and Customs Incentives are also provided to people involved in the Agricultural sector to boost production and ease of business. The Tax Incentive is part of Government's modernization of the agriculture sector aimed to make it more productive for the nation's needs ensuring that we become self-sufficient. The tax incentive will assist those on Commercial and Agro farming introducing new agricultural methods, new technology, new crops, new farming techniques and improve animal husbandry.

This week we will look at the various agricultural incentives provided to farmers.

### EXEMPT INCOME TAX ON AGRICULTURE PROFITS

There are various types of tax incentives currently available for businesses engaging in the agricultural sector. It comprises of Commercial Agriculture and Agro-Processing, Small Micro Enterprises (SME's) and Bio-Fuel Production Incentives. Apart from being tax free, all items for agricultural purposes are granted duty free concessions.

However, the respective tax incentive is subject to specific conditions.

For Commercial Agriculture and Agro-Processing Tax Incentive the income of the taxpayer shall be exempt only if the activity is a new activity approved by Fiji Revenue and Customs Authority (FRCA) and established from 1st January 2015 to 31st December 2018. The investment threshold and income tax holiday is as follows:

Capital Investment	Income Tax Holiday/Exemption
\$250,000 to \$1,000,000	for a period of 5 consecutive fiscal/tax years
\$1,000,001 to \$2,000,000	for a period of 7 consecutive fiscal/tax years
\$2,000,001 or more	for a period of 13 consecutive fiscal/tax years

For Small and Medium Enterprises or SME's, the income shall be exempt from **Income Tax** only if the annual gross turnover or sales does not exceed \$500,000. ONLY the following sectors are included in this list:

- a) Agriculture and Fishing (Agriculture will cover activities in the entire agriculture sector).
- b) Tourism (Sea Cruise and River tour Operators).

- c) Community and Social Services (Amusement, recreation services; traditional handicraft producers (not “middleman” or agents).
- d) Supportive projects to tourism industry (flora, fauna and other natural characteristics of Fiji; and history, traditions, cultures and ways of life of its peoples).

For Bio – Fuel Production - the income of the taxpayer shall be exempt for a period of 10 consecutive fiscal/tax years only if the applicant engages in a new activity in processing agricultural commodities into bio-fuels and is approved by FRCA and established from 1st January 2009 to 31st December 2018. To qualify, the taxpayer must have a minimum capital investment of \$1,000,000 and employ 20 or more local employees in each of the 10 years.

### **DUTY FREE ON IMPORTATION OF AGRICULTURAL ITEMS**

There are duty exemptions available on the importation of plant, machinery and equipment for initial establishment of the factory, chemical required for bio-fuel production and all agricultural items. However, 9% import VAT will still apply on importation of these items which would be refunded to those that register for VAT purpose.

For Commercial Agriculture and Agro-Processing and Bio – Fuel Production incentives, the investor will have to make an application to FRCA to qualify for the incentive. The application should include a comprehensive background of the project such as the director and shareholder details, statement of assets and liabilities, location and description of the site of the project, details of the business activities, sketch plan of the project, costing and financing details, completion dates, employment details, etc. For the SME incentive, the investor can claim for the exemption in the income tax return for a fiscal/tax year.

### **EXEMPT FROM STAMP DUTIES SME AGRICULTURE**

The Minister for Economy had announced for waiver of stamp duty on all instruments or written documents for Small & Micro Enterprises effective from 1<sup>st</sup> January 2016. Small & Micro Enterprises under Stamp Duties Act includes any business with an annual gross turnover or sales not exceeding \$500,000. Therefore all SMEs engaged in agricultural activities can qualify for this stamp duty waiver provided that are a bonafide registered business, tax and customs compliant and provide a Statutory Declaration confirming that they have a gross turnover not exceeding \$500,000. Copies of financial statements must be attached where applicable. The policy intention for this incentive is to assist the SME's. Post assessment audits will be conducted to verify declarations. Severe penalties will be imposed where taxpayers make false declarations or scheme to evade this tax.

### **VAT APPLICATION**

On the other hand if a person registers for VAT, they would have to charge VAT on all their sales and at the same time will be able to claim an input claim on all VAT paid in relation to the business and abide by the VAT Decree.