



Talk Tax 2017/2018 National Budget

The 2017/2018 National Budget was announced by the Honorable Attorney General and Minister for Economy on Thursday night.

In the 2017/2018 Budget, Government maintained the attractive tax policies that have successfully grown the Fijian economy and undertaken tax reforms that will incentivize economic growth in targeted sectors and relieve the tax burden on ordinary Fijians to reduce the overall cost of living in Fiji.

Pay-As-You-Earn Tax

Personal Income Tax: annual income earned below \$30,000 will no longer incur income tax, as the minimum income tax threshold has been increased from \$16,000 to \$30,000.

The following tax incentives have been introduced, extended, restructured or maintained:

All Tax Free Regions and the Commercial Agriculture, Bio-fuel and Accelerated Depreciation initiatives have been extended from 2018 until 2028.

The Bio-fuel Incentive has been restructured as follows:

Investments between \$250,000 and \$1.0 million are granted a five-year tax holiday;

Investments between \$1.0 million and \$2.0 million are granted a seven-year tax holiday; and
Investments above \$2.0 million are granted a 13-year tax holiday.

Environment Policy Initiatives

The Environmental Levy will be renamed as the Environment and Climate Adaptation Levy and will directly fund environmental protection programmes and climate adaptation projects. The levy has been increased from six percent to ten percent.

The ten percent Environment and Climate Adaptation Levy now applies to income earned above \$270,000. To fully offset this tax burden, the Social Responsibility Tax has been restructured to reduce the percentage of tax paid at every income bracket by ten percentage points.

The Environment and Climate Adaptation Levy will now apply to the purchase of luxury cars with engine sizes greater than 3000-cylinder capacity. The levy will not apply to any vehicle utilised for public transportation, including taxis.

Service Turnover Tax has been reduced from ten percent to six percent.

Super Yacht Charter Fee: the current 12.5 percent Super Yacht Charter Fee will be replaced with a ten percent Environment and Climate Adaptation Levy.

Vehicle Duties

The zero fiscal and import excise duties on the importation of new hybrid motor vehicles will continue.

In recognition that non-hybrid cars are also suitable for taxi operators, the importation of new non-hybrid cars with engine sizes less than 2500 cylinder capacity will attract a five percent fiscal import duty and zero import excise. New vehicles with over 2500 cylinder engine capacity will attract a fiscal import duty of five percent and import excise duty of five percent. These two incentives will apply for all taxi operators for a period of two years.

The fiscal import duty on new parts for motor vehicle is reduced from 15 percent to five percent. Similarly, fiscal import duty on new engines for motor vehicles is reduced from 15 percent to five percent.

The fiscal import duty on batteries and cells used for hybrid vehicles is reduced from 32 percent to five percent.

The importation of statutory written off vehicles, such as vehicles damaged by flooding or hail, is prohibited.

Bus Duties

To assist the thousands of Fijians travelling in rural areas, the fiscal import duty and import excise duty on the importation of new buses (with seating capacity of 16 persons or more) for bus operators with annual turnovers under \$1.5 million has been reduced to zero for a period of two years. These bus operators will also enjoy fiscal import duty of five percent and zero import excise duty on the importation of used buses (with seating capacity of 16 persons or more) for the same two-year period.

Vessel Duties

Government is reforming the duty regime for inter-island passenger and cargo vessel operators to decrease the cost of importing new and used vessels. The importation of all new and used vessels is now duty free for two years. The importation of all new and used identifiable fixtures and components of vessels is reduced to zero fiscal import duty.

Health and Medical Services Tax Measures

In order to increase the number of Fijians with access to health insurance, employers who provide medical insurance to their employees will be exempt from Fringe Benefit Taxes.

All items imported to Fiji for health promotion programmes are exempt from fiscal import duty and import excise duty.

The fiscal import duty on energy bars is reduced from 32 percent to five percent.

The fiscal import duty on readymade towels is reduced from 32 percent to 15 percent.

The fiscal import duty on baby cots and baby shoes will reduce from 32 percent to five percent.

The fiscal import duty on baby wipes is reduced from 32 percent to zero percent. The excise tax on cigarettes, tobacco and alcohol will increase by 15 percent.

The excise tax on sweetened and carbonated drinks will increase by 15 percent, rising from 30 cents per litre to 35 cents per litre.

Construction Tax Measures

The fiscal import duty on fabricated steel structures is reduced from 32 percent to five percent.

The fiscal import duty on insulated (electrical) cables is reduced from 32 percent to 15 percent, provided Fijian standards are met.

The fiscal import duty on glues, epoxies, sealer, protective coatings, polishes and creams, and similar appropriations is reduced from 15 per cent to five per cent.

The fiscal import duty on steel and aluminium louver frames is reduced from 32 percent to five percent, while the import excise duty is increased from zero percent to five percent.

Fish Levy

Fish supplied to PAFCO will be VAT zero-rated and suppliers will be accorded an Export Income Deduction incentive.

Customs Regulation 91 will be amended to require that all vessels that engage in the transshipment of fish pay the Fish Levy of \$450 per tonne. Mother vessels will be excluded from the levy.

Stamp Duty Tax Measures

Stamp Duty payments are eliminated on property transfers through love and affection.

Dividend Regime

All Dividend Taxation has been abolished. The tax of three percent (Resident) and nine percent (Non-resident) will be removed, making all dividend income exempt from taxation. Any avoidance scheme to abuse these reforms will lead to imposition of severe penalties.

To address the issue of Dividend Tax applying to the undistributed company profits prior to tax year 2014, a one percent Transitional Tax will be levied on pre-2014 balances as at 29 June 2017. There

will be a three-month window granted to complete the payment of this Transitional Tax (until 30 September 2017).

Tax Compliance

A series of new measures are introduced in the Budget to strengthen Tax Compliance as follows:

The Amnesty (no tax and no penalties) granted for the declaration of foreign assets and income has been renewed. The period will now last from 30 June 2017 to 31 December 2017.

A General Tax Amnesty (no penalties) is granted for the registration, lodgment and payments of tax obligations under all tax types. The amnesty is applicable to all taxpayers with a gross turnover under \$1.5 million. The amnesty period will extend from 30 June 2017 until 31 December 2017.

The FRCA Act will be amended to increase information sharing with the Fiji Commerce Commission to carry out more effective price surveillance, and for FRCA to issue infringement notices to traders who do not pass duty and VAT reductions on to customers.

For more information on the 2017/2018 National Budget please visit the FRCA Website www.frca.org.fj or go to our facebook page www.facebook.com/fjirevcust