

Tax Free Region – Talk Tax

What is a Tax Free Region (TFR)?

Tax Free Region is an area whereby companies can operate without being subject to income tax provided that they have been granted a TFR operating license. Companies granted an operating license are also entitled to customs duty exemptions for the establishment of their business..

Who qualifies for this incentive?

This incentive is available to:

- (i) A newly incorporated entity engaged in a new business;
- (ii) The company is based in the declared Tax Free Regions; and
- (iii) The minimum investment level of the company is \$250,000

Which regions are classified as Tax Free Region?

- (i) The entire island of Vanua Levu including Taveuni, Rabi, Kioa and other Islands generally included for government's administrative purpose as being in the Northern Division;
- (ii) The islands of Rotuma, Kadavu, the Lomaiviti and Lau group of islands; and
- (iii) From Nausori Airport side of the Rewa river (excluding township boundary) to the Ba side of the Matalawu River.



- Tax Free Regions

Is there a criteria for one to qualify for this incentive and what are the benefits?

Yes there is a criteria to qualify. The applicant needs to fulfill the 3 criterias below:

- (i) A newly incorporated entity engaged in a new business;
- (ii) The company is based in the declared Tax Free Regions; and
- (iii) The minimum investment level of the company is \$250,000

The applicant is granted a provisional TFR licence if the above 3 criteria's are fulfilled. The benefits available under the provisional TFR licence includes import duty exemption on raw materials, machinery and equipment (including parts and thereof) required for the establishment of the business in the Tax Free Region.

Once the licensee completes its establishment, they are required to obtain a final TFR licence. Under the final approval, the company will then be granted a tax holiday based on their investment level using the following tiered approach:

- (i) Capital investment from \$250,000 to \$1,000,000, for a period of 5 consecutive fiscal years;
- (ii) Capital investment from \$1,000,000 to \$2,000,000, for a period of 7 consecutive fiscal years;
- (iii) Capital investment above \$2,000,000, for a period of 13 consecutive fiscal years;

The duty exemption granted under the provisional approval will then be ceased.

How about those business that are currently in the TFR, can they qualify for the tax free exemption?

No, the existing businesses currently in the TFR will not qualify for the exemption. There is no automatic qualification. Companies will have to fulfill the requirements mentioned above to qualify.

So if there is a supermarket in Nausori town, can they operate a new supermarket in Korovou town with the required level of capital investment to qualify for the tax free status?

No, if an existing entity expands its operation from outside the TFR to the TFR undertaking the same business, they will not qualify. The incentive is available to newly incorporated entities engaged in a new business.

Will there be concession on duty for those wanting to import for this new venture in the Tax Free Region?

Yes, if granted a provisional TFR Licence, there will be import duty exemption on the importation of raw materials, machinery and equipment (including parts and materials) required for the establishment of the business in the TFR.

What is the process when applying for the tax free status under the Tax Free Region scheme?

There is an application form (Form 6) and a checklist which the applicant needs to complete and submit to the CEO, FRCA. Once approved, the applicant will be granted provisional TFR licence. It is important to note that the licence is subject to approval from the Minister for Finance in concurrence with the Minister for Industry and Trade.

Once granted the provisional approval, the company may commence the establishment of the business.

The company is then required to submit an application for a Final TFR licence. As for the initial application, the application needs to be submitted to the CEO, FRCA. Note that there is no application for final TFR licence and the submission needs to be made in a letter format. The final approval will be subject to a site inspection and an audit by FRCA.

All projects must commence within 18 months from the date of provisional approval being issued.

What will happen if the projects do not start within 18 months?

The provisional approval will be revoked if the projects do not commence after 18 months from the date of approval, and any import duty exempted will become collectable with appropriate penalties.

How long does it take to get the provisional approval once the application is lodged?

If the complete application is submitted to FRCA, a feedback which is either an approved provisional licence or a rejection letter will be provided within 7 working days.

Are there any benefits where the new venture business owners decide to involve the indigenous people of Fiji or i-Taukei?

Yes, there are benefits available in two categories.

- (i) an additional 5 years of income tax exemption is available to any company granted a license and having indigenous Fijian landowner equity of at least 25 per cent;
- (ii) an additional 7 years of income tax exemption is available to any hotel developer granted a license and having indigenous Fijian landowner equity of at least 25 per cent.