

## **Talk Tax and Customs- 2016 - 2017 Budget Changes**

**FS: Employment Taxation Scheme was a major component in the 2016-2017 National Budget. What deductions were announced?**

**ACEO:** Yes Employment Taxation Scheme deduction will be increased up to 300% effective from 1<sup>st</sup> August 2016. The specific deductions are as follow:

- Tax deduction on wages paid on first full-time employee to continue, with an increased rate of 200%, effective from 1 August, 2016.
- 200% tax deduction on apprenticeship in the related area of study up to 6 months in a year before graduation, as part of course requirements.
- 200% tax deduction on wages paid to students employed in the related area of study up to 3 months in a year during holidays.
- 300% tax deduction on wages paid in the employment of disabled people who will be employed continuously for a period of 3 years.
- 150% tax deduction of employees' education fees who are allowed to study (up-skill) and attend training to obtain a professional qualification during their course of employment.

All the above will expire in 2020 except the 300% tax deduction on wages paid in the employment of disabled people, which will expire in 2022.

**FS: The removal of credit card levy was also announced in the budget?**

**ACEO:** Yes credit card levy currently imposed at the rate of 3% has been removed and will no longer be applied effective from 1<sup>st</sup> August 2016.

**FS: There were some changes relating to withholding tax announced in the budget. Can you highlight on this.**

**ACEO:** Yes, there were two changes announced. Firstly the Resident Interest Withholding Tax exemption of \$200 for all individuals will be removed effective from 1<sup>st</sup> August 2016. This is to simplify the application of RIWT as final tax.

Secondly the Non-Resident withholding tax will be imposed on reimbursement of expenses for professional services fees.

**FS: Capital Gains Tax is currently exempt for resident individual or a Fiji citizen on disposal of their principal place of residence. What is the new change announced relating to this?**

**ACEO:** Yes Capital Gains Tax is exempt for resident individual or a Fiji citizen on disposal of their principal place of residence however the change announced is in cases where series of disposal of principal place of residence.

**FS: What other changes relating to Capital Gains Tax was announced?**

**ACEO:** Another change announced was the definition of capital assets to be extended to include ships and boats.

**FS: What are the changes relating to indirect taxes such as Value Added Tax (VAT), Service Turnover Tax (STT) and Environmental Levy (EL)?**

**ACEO:**

- (1)** VAT will now be applicable on businesses dealing in residential accommodation where rental income derived exceeds \$100,000 per annum.
- (2)** FRCA will pay interest to taxpayers on late VAT refunds at a market lending rate determined by Reserve Bank of Fiji (RBF).
- (3)** Also VAT monitoring system and supporting laws for it will be introduced.
- (4)** Service Turnover Tax (STT) and Environmental Levy (EL) will now be charged on bus companies that engage in carriage of tourists.

**FS: Are there any changes relating to stamp duty?**

**ACEO:** Yes, any instrument of nomination, novation or assignment, howsoever titled shall be charged with ad valorem duty as a transfer on sale.

**FS: Incentive Package for those that invest in setting up of Electric Vehicle Charging Stations was also announced. Can you put some light on this?**

**ACEO:** Yes, the following incentive package will be available for investors who wish to set up Electric Vehicle Charging Stations:

- (1)** Tax holiday for seven years
- (2)** Investors shall be granted a subsidy up to a maximum of:
  - (i) 5% of the total capital outlay incurred in the development of electric vehicle charging stations provided that the capital expenditure is not less than \$3,000,000.
  - (ii) 7% of the total capital outlay incurred in the development of electric vehicle charging stations provided that the capital expenditure is not less than \$10,000,000.
- (3)** Loss can be carried forward for 8 years

**FS: Will sweetened drinks attract more duties?**

**ACEO:** Yes, the local excise tax on sugar sweetened and carbonated drinks will increase by 20 cents per litre.

**FS: What is the new duty rate for new hybrid vehicles?**

**A/CEO:** 0% fiscal duty, 0% import excise and 9% VAT is applicable for all new hybrid vehicles. These duty rates are currently applicable for all importations.

**FS: What are new duty rates from used hybrid and electric motor vehicles?**

**ACEO:** The new duty rates will apply for all used hybrid vehicles and vehicles with electric motor from 1<sup>st</sup> January, 2017. The fiscal duty rates on second hand or used hybrid vehicles are with cylinder capacity of:

1. Not Exceeding 1500 cc - \$2,000 per unit;
2. Exceeding 1500 cc but not exceeding 2500 cc - \$2,500 per unit;
3. Exceeding 2500 cc but not exceeding 3000 cc - \$3,000 per unit;
4. Exceeding 3000 cc - \$6,500 per unit.

Kindly note that all used hybrid vehicles will still attract 15% import excise and 9% VAT.

**FS: How will the new budget changes affect duty rates for new and used passenger unleaded and diesel vehicles?**

**ACEO:** All new unleaded or petrol vehicles will have 5% fiscal duty; 15% import excise duty and 9% VAT with engine capacity not exceeding 2500cc. This change will come into effect on 1 January, 2017.

However, the new duty rates for used unleaded or diesel vehicles with cylinder capacity of:

1. Exceeding 1000cc but not exceeding 1500 cc - \$7,500 per unit;
2. Exceeding 1500 cc but not exceeding 2500 cc - \$11,500 per unit;
3. Exceeding 2500 cc but not exceeding 3000 cc - \$18,000 per unit;
4. Exceeding 3000 cc - \$23,000 per unit

The luxury vehicle levy will still be applicable on vehicle with cylinder capacity above 2500 cc. Therefore, \$7,500 per unit will be applicable on vehicles with cylinder capacity exceeding 2500cc but not exceeding 3000cc. Plus, \$20,000 per unit will be applicable on vehicles with cylinder capacity exceeding 3000cc. These used unleaded or diesel vehicles rates will come into effect from 23rd June, 2016.

**FS: Is there new Custom concession on New Rough Terrain Vehicle and New 2 & 3 seater panel vehicle?**

**ACEO:** Yes, duties on these two vehicles have been reduced from 15% to 5%, and will be now covered under Customs Concessionary Code 131.

**FS: Had there been any changes to the used goods trailers?**

**ACEO:** Yes, the fiscal duty on second hand goods trailers have been reduced from 32% or \$6,707 to 15% or \$3,000 per unit whichever is greater; import excise is 0% with 9% VAT for trailers and semitrailers for the transport of goods.