

Talk Tax - Agricultural Sector Tax Incentives

FT: What types of tax incentives do you offer for the Agricultural Sector here in Fiji?

ACEO: 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. 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. The 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, most items for agricultural purposes are duty free on importation and some are granted duty free concessions on application.

FT: Can you elaborate on the investment threshold and other conditions one have to meet in order to qualify for the incentives highlighted above?

ACEO: The respective tax incentive is subject to specific conditions.

(1) 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

(2) For SME's, the income shall be exempt from tax only if the annual gross turnover or sales not exceeding \$500,000 and include activities of the following sectors only:

- Agriculture and Fishing (Agriculture will cover activities in the entire agriculture sector).
- Tourism (Sea Cruise and River tour Operators).
- Community and Social Services (Amusement, recreation services; traditional handicraft producers (not "middleman" or agents).
- Supportive projects to tourism industry (flora, fauna and other natural characteristics of Fiji; and history, traditions, cultures and ways of life of its peoples).

(3) 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.

FT: Will there be any duty concession on the importation of capital good for setting up any incentives discussed above?

ACEO: Yes, 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.

FT: How can potential investors apply for these agricultural tax incentives?

ACEO: 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.

FT: There were some incentives on stamp duty for Small & Micro Enterprises (SME's) announced in 2016 Budget. Can SME's engaged in agricultural activities qualify for these incentives?

ACEO: The Minister for Economy had announced for waiver of stamp duty on all instruments or written documents for Small & Micro Enterprises effective from 1st 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 those engaging in agricultural activities can qualify for this stamp duty waiver provided that they must be a registered business with a business license, be tax and customs compliant and will be required to 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.

FT: Are rough terrain vehicles used for farming purpose allowed duty concession?

ACEO: Yes the Minister for Economy had announced duty concession for importation of New Rough Terrain Vehicles. The Fiscal duty is 5% with 5% Import Excise and 9% VAT. This part of the Customs Concession 131 on Customs Tariff in 2016-2017 budget announcement and these duty rates were effective from 23rd June, 2016.



FT: Do these taxpayers engaged in agricultural activities required to register for VAT and charge VAT on their supplies?

ACEO: VAT registration is voluntary for those in the agricultural sector irrespective of the gross sales earned in a year. One will have to weigh his or her options and seek advice before registering for VAT. Some SME may opt not to register for VAT so as to avoid the hassle of having to lodge VAT returns, maintain proper books of accounts, issuing tax invoice etc. They will not charge VAT on the sale of their produce. However, 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 claim an input claim on all VAT paid in relation to the business and abide by the VAT Decree. For VAT purposes, agriculture is defined and without limiting the meaning of the term, to include coconut planting, dairy farming, fruit growing, sugar cane growing, all forms of animal husbandry, poultry keeping, grazing, market gardening, horticulture and apiculture; but does not include silviculture. Any person engaged in these activities or sectors are referred to as produce supplier. Produce suppliers are those whose at least 90% of the supplies constitutes produce which simply means that 90% of the total value of supplies is in raw and unprocessed state and the balance of 10% can be not in raw and unprocessed state. Again as any person in the agricultural sector will not be required to register for VAT but can opt to register on a voluntary basis. However those who will not qualify as produce suppliers and the annual gross turnover exceeds \$100,000 will have to register for VAT and charge VAT on their supplies.