TALK TAX

Issue 122

Hotel Incentives and Issues

FRCA continues to work with the Fiji Hotel and Tourism Association (FHTA) as they strengthen their relations in terms of capacity building and identifying risk areas on revenue leakage for both the hotel industry and for the Government.

Short Life Investment Package (SLIP)

New hotels are allowed a4 year tax holiday for capital investments not less than $7million. They would also be granted duty exemption on the importation of all capital goods (including capital equipment, plant & machinery) not available in Fiji. However, this does not include furniture or motor vehicles that are used to set up the business.

Short Life Investment Package (SLIP) Incentives is also available for retirement facilities, hospital resorts and new apartments. For apartments the length of stay should not be more than 6 months. Recipients of the provisional approval for SLIP shall complete the project within two years from the date the provisional approval was granted.

Standard Allowance

New hotels are allowed 25% Investment Allowance provided that the project is completed within 2 years.

Hotels that have already been granted the tax concession will continue to enjoy the concession until the full amount allowed as investment allowance have been offset against the taxable income of the hotel.

The investment allowance of 25% of total capital expenditure is allowed on the condition that there is no shift of tax revenue to another country. This is in addition to the ordinary depreciation allowable. The Investment Allowance can only be written-off against the income of the hotel business or income from the hotel premises. Recipients of the provisional approval for Standard Allowance must complete the project within two years from the date the provisional approval was granted to enjoy the concession. Investors need to provide a sketch plan to obtain provisional approval for the investment allowance, and not necessarily a certified approved plan. Hotels are also allowed to carry forward losses up to 4 years.

Backpacker Operations

Local backpacker operators are allowed Income Tax exemption where their annual sales turnover is $1m or less. They would be allowed duty exemption on the importation of raw materials and equipment used for the establishment of a backpacker hotel.

Airbnb

Airbnb is an online app which enables people to lease or rent short-term lodging including vacation rentals, apartment rentals, homestays, hostel beds, hotel rooms. Residential rooms are advertised through this online app as being available for rent or lease at a very low price. Homeowners need to be aware that any such hire or lease of any room at a homestay is subject to 10% Service Turnover Tax (STT) and 6% Environmental Levy (EL). Persons conducting such homestay businesses are required to register with FRCA. Those currently operating such homestays will be deemed registered for STT and EL. If you know of any unregistered homestay business, should report it to FRCA.

Business voucher to be stamped for overseas remittances

A voucher or Invoice for goods and services is required to be stamped at any FRCA office before any remittance or payment is made abroad. Stamping is a requirement where the amount to be remitted is less than FJD$20,000.00. Whilst the remittance for a payment of goods is not subject to tax, remittance for the payment of services is subject to 15% Withholding Tax and 9% VAT Reverse Charge. Where tax is applicable on the nature of payment, taxpayer must make payment before the invoice is stamped. If the remittance amount exceeds $20,000 a tax clearance will be required. Individuals remitting personal money abroad for migration etc. even if it is below $20,000 will still require to get tax clearance. Instead of having to come to FRCA on every occasion for stamping, FRCA has provided a way forward to the hoteliers by offering a blanket tax clearance for businesses that qualify. This would mean that they only come once a month o FRCA for verification and hence will reduce the need for them to visit FRCA offices for every voucher.

Provisional Taxes

Provisional Tax (PT) is tax applicable to a person making a payment under a formal contract for services, including progress payments, where the payer must withhold 5% tax from the gross amount of the contractual payment made. Formal contracts or formal service agreements include written agreements, invoices, tax invoices, receipts, letter of engagements, etc. The 5% Provisional Tax is an advance tax which will be allowed as a credit against any tax assessed on the business after the related year's original return of income is assessed. PT should only be withheld by a registered PT payer if the aggregate annual payment during any time of the year exceeds the threshold of FJD$1,000. Hoteliers engage a lot of contractors for renovations, repairs and maintenance services and Provisional Tax should be based on the total Invoice amount.

FRCA have been informed that small businesses have increased their charges to cover for the PT deducted, however, one should note that the PT serves as an advance tax payment. FRCA no longer issues Certificate of Exemptions (COE). The removal of COE has seen an increase of business individuals registering for tax and complying with tax requirements.

The 5% Provisional Tax is compulsory for all contracts and it is applicable to the whole contractual sum and not just the labour cost. Any PT withheld should be remitted to FRCA on a monthly basis with the appropriate FRCA form.

Food prices to be inclusive of taxes

Some hoteliers are not showing the tax elements on their price displays or they show it as a fine print. Often we have had complaints from tourists raised through the FHTA that they have been ‘ripped off’. This is specific to food prices in hotel restaurants. The VAT Act states that prices should clearly state tax element when displaying at retail price.