
FIJI REVENUE & CUSTOMS SERVICE



**SUMMARY OF
REVENUE POLICIES
2018 – 2019 BUDGET**

June 28, 2018

2018 - 2019 BUDGET SUMMARY OF REVENUE POLICIES

Part 1 – Direct Tax Measures

Income Tax

Policy	Description
1. Aligning Residential Interest Withholding Tax Exemption Threshold to Income Tax	The current Residential Interest Withholding Tax threshold (RIWT) will be increased from \$16,000 to \$30,000 to be consistent with the existing individual income tax exemption threshold.
2. Tax Deduction for Salaries/Wages Paid during Paternity and Family Care Leave.	An introduction of 150% tax deduction on salaries/wages paid to employees during paternity and family care leave.
3. Amend the definition of ICT	The definition of ICT in the Income Tax Regulations will be amended to include “customer contact centres, engineering and design, research and development, animation and content creation, distance learning, market research, travel services, finance and accounting services, human resource services, legal procedure, compliance and risk services and other administrative services (e.g., purchasing, etc.). The above services will need to be ICT enabled.
4. Accelerated Depreciation Provision.	All greenhouse and nursery buildings, research labs and pack houses will be included under the Accelerated Depreciation Provision.
5. Incentive Package for Electric Vehicle (EV) Charging Stations	The minimum capital investment for setting up of EV charging stations will be further reduced from \$500,000 to \$100,000.
6. Tax Incentive for 2019 ADB Annual Meeting in Fiji	A 150% tax deduction be provided for cash contribution above \$10,000 by corporate sponsors towards the hosting of the event.
7. Application of Medical Incentive Package for Government PPP Arrangements	The Income Tax (Medical Investment Incentives) Regulations will be amended to include hospitals under Private Public Partnership (PPP) arrangements to be eligible for the medical tax incentives.
8. Modernisation of buildings in towns/cities	As the Fijian Economy has been rapidly expanding and to capitalise on the rapid expansion of the economy, low interest rates, rising income and high investor confidence in Fiji, the following incentive package is available: <ul style="list-style-type: none"> ➤ For capital investments above \$1 million (excluding interior furnishings, furniture and fittings), the following will apply: <ul style="list-style-type: none"> • 125% tax deduction on total expenditure incurred for renovation and redevelopment; • 25% investment allowance on total capital expenditure incurred for extension or redevelopment; and

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Policy	Description
	➤ This incentive will be available to buildings that are 5 years or older.
9. Incentive package for Research and Development ('R&D')	Introduction of 250% tax deduction on any expenditure incurred by an eligible company investing in R&D. This will only be applicable to ICT and Renewable Energy Industries.
10. Investments in Electric Buses	A tax deduction of 55% will be allowed to investments in electric buses.
11. Tax Deduction for expenses paid for staff training through accredited training providers.	A 150% tax deduction will be provided to employers for cost of staff training through accredited training providers.
12. CGT and Income Tax Exemption for South Pacific Stock Exchange Listing	<ul style="list-style-type: none"> ➤ The Income Tax Act will be amended to grant exemption for any gain made by a resident person from the sale of any capital asset including shares where the company undergoes listing. ➤ The Income Tax (Exempt Income) Regulations will be amended to extend the current exemption which is applicable to the 'income made from the gain from the sale of shares by resident private companies arising from the re-organisation, restructure or amalgamation of a company for the purpose of listing on the South Pacific Stock Exchange' to include 'any income' in addition to gain made. ➤ The exemption will be extended to public companies.

Tax Administration Act

Policy	Description
1. Offences relating to Tax Agents Registration	Section 116 of the Act will be amended to hold Tax Agents liable for non-compliance. Similar to Section 137 of the Customs Act whereby Customs Agents are held liable and penalised.
2. Offences for making false or misleading statement	Section 53 of the Act will be amended to include ' fraudulent conduct ' apart from misleading/false statement in relation to Taxation Offences.
3. Jurisdiction of Tax Tribunal	Section 81 of the Act will be amended to increase jurisdiction of Tax Tribunal from \$50,000 to \$500,000.
4. Offence of failure to file a tax return	Section 49(1)(a) of the Act will be amended to include the word " <i>in the approved form</i> " after the word ' <i>due date</i> '.
5. Issue of TIN	Section 38 of the Act will be amended to make TIN Registration mandatory and failure to comply will be treated as an offense.
6. Offences for failure to comply with obligations under this Act	Section 50 (1)(a) will be amended to insert a new provision " <i>(vii) comply with section 38</i> "
7. TIN Registration	To insert a new section 38A or 38B for business taxpayer to update their details if there are any changes. Similar to section 24 of VAT.

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Policy	Description
8. Strengthen Self-Assessment Regime	FRCS is rolling out the New Tax Administration System (NTIS) that will mainly be using the self-assessment provisions. The Tax Administration Act will be amended to strengthen the Self-Assessment Regime for a smooth transition and operation.
9. Issuance of Infringement Notice for Offences under the Act	To amend the Act to include the issuance of the infringement notice for offences under the Act.
10. Mandatory declaration of assets by all tax payers	All business and commercial taxpayers will be required to declare their assets along with their Income Tax Returns in the approved form. The tax payers will also have to declare any assets paid for by them – even if held in any other person's name. A penalty of \$250,000 will be charged for failure to declare or false declaration.
11. ECAL/STT	A new provision will be included to deal with offences for those who are not supposed to charge ECAL/STT.
12. Offences and Penalty for Specified Offences	A new provision in Section 71 and 72 of the Act will be added to deal with offences for those who are not supposed to charge VAT.

FRCS Act

Policy	Description
1. Institute proceedings	Section 51 of the Act will be amended to allow CEO, FRCS to amend or withdraw charges.

Part 2 - Indirect Tax Measures

Service Turnover Tax Act

Policy	Description
1. Introduce a threshold for application of STT	Threshold of \$1.25m which is currently levied for licensed restaurants, bars, clubs, bistros and coffee shops, will now be aligned to all other prescribed services for the application of STT.

Environment and Climate Adaptation Levy Act

Policy	Description
1. Introduce a threshold for application of ECAL	Threshold of \$1.25m which is currently levied for licensed restaurants, bars, clubs, bistros and coffee shops, will now be aligned to all other prescribed services for the application of ECAL.
2. Increase Plastic Bag Levy	To discourage use of plastic bags and promote the use of reusable bags in line with governments commitment towards

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Policy	Description
	environment initiatives, plastic bag levy will be increased to 20 cents.

Value Added Tax Act

Policy	Description
1. Time of Supply rule for land development	Section 18(2)(e) of the Act to be amended to include the word “land development”. This provision allows special time of supply rules to various industries where payment of VAT becomes applicable whenever any payment in respect of a supply becomes due. This is to support the current commercial basis of how Land Development Business is moving.

Customs Tariff Act - Fiscal Duty Changes

Policy	Description
1. Reducing fiscal duty on used vehicles less than 2 years old (from the year of manufacture)	Fiscal duty on used cars below 2 years will be reduced from 32% to 15% or half the current specific rate.
2. Concessionary duty incentive for Public Transportation	<ul style="list-style-type: none"> ➤ The concessionary duty rates for taxis will be extended to used diesel/petrol vehicles with an age of 2 years or less (7.5% or quarter of the existing specific rate, whichever is greater, applied on used vehicles will be applicable). ➤ This incentive will be extended for another 2 years (until 30 June 2021), including the concessionary duty regime for bus industry and inter-island shipping.
3. Concession Code 245 – Inter Island Shipping	Will be amended to include ‘marine paints not manufactured or available locally’ at 15% Fiscal, Free Import Excise and 9% VAT.
4. Concession Code 236 - Manufacturers	To amend column 2 by replacing the word ‘Minister’ with ‘Comptroller’.
5. Duty free on fresh fruits and vegetables	Reduce Duty from 5% to 0% on Apples, Carrots, Tea, Grapes, Oranges, Pears, Mixed Vegetables, Celery, Capsicum, Mushrooms, Kiwi Fruits, Asparagus, Strawberries, Leeks, Spinach, Apricot, Peaches, Plum, Grapefruit, Raspberries, Cranberries, Pomegranate, Cauliflower, Broccoli and Brussel sprouts to ensure affordability of healthy foods, promote combating of NCD, and encourage importation to complement local supply.
6. Breakdown of Chassis Classification	To create a local breakdown for Chassis which is to be classified separately in the Customs Tariff Act.
7. Importation of photocopying apparatus (Full colour)	CPIER to be amended to remove the requirement of an import licence on colour photocopy apparatus from Schedule 3, Item 4 of the CPIER.
8. New Concession Code for Food Grade Plastic Pallets	To create a separate concession code for importation of Food Grade Plastic Pallets. The duty rates applicable will be Free Fiscal, Free Import Excise and 9% VAT.

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Policy	Description
9. Expanding Concession Code 275 to include importation of noodle taste makers (flavours) in bulk.	To expand concession code 275 to include importation of noodle taste makers (flavours) in bulk for repacking. The duty rates applicable will be Free Fiscal, Free Import Excise and 9% VAT.
10. New Concession Code (Code 217A)	<p>To create a separate concession code (Code 217(A)) for local airline companies involved in international flights: The list of items are as follows:</p> <ul style="list-style-type: none"> ➤ Inclusion of the following aircraft consumables under Concession code 217(A): <ol style="list-style-type: none"> 1. Aircraft paints, paint thinner and paint hardener 2. Aircraft cleaning chemicals (various specialised chemicals for aircraft cleaning for e.g. lavatory chemical, sink cleaning, etc.) 3. Aircraft adhesives and sealants (various to be used on board) 4. Aircraft disinfection spray – aerosol and liquid (for fumigation and disinfectant purposes) 5. Aircraft biocide chemicals (used to clean aircraft fuel tank to eliminate fungus) 6. Aircraft seat cover material – fabric and leather 7. Aircraft decals and placards (signage used on the aircraft) 8. Aircraft pre-mask spray set (stencils for aircraft logo, design, etc. 9. Aircraft manuals – books and compact discs 10. In-flight audio tapes, compact discs and on-board media loaded drives. 11. Aircraft fuel tank treatment kits (to check fuel samples before and after biocide cleaning) 12. Oil sample kits (Oil is filled in the kits and sent to laboratory abroad for testing) 13. Water finding paste to test for any leakages. Comes in the form similar to “plasticine” or “crystals”. 14. All kinds of tapes used for aircraft maintenance (Aluminium Tapes, Ducting Tape, High Speed Tape etc.) 15. Grease for aircraft servicing (current concession is on oil, fuel and grease used in the production of cooling agent).
11. Amendment in the Customs Tariff Act to Separate Telecom and Electrical Cables	The Customs Tariff will be amended to Separate Telecom and Electrical Cables and provide a duty reduction on telecommunications cables from 15% to 5%.
12. New concession code 231A	To create new Code 231A to grant a concession on packaging material to approved exporters of local fresh produce.
13. Increase fiscal duty on Linear Low Density Polyethylene (LLDPE) Stretch Wraps	To protect the local manufacturers, fiscal duty on Linear Low Density Polyethylene (LLDPE) Stretch Wraps will be increased from 5% to 32%.
14. Increase fiscal duty on structural floor (decking) sheets.	To protect the local manufacturers, fiscal duty on structural floor (decking) sheets will be increased from 5% to 32%.
15. Increase fiscal duty on imported sweetened and carbonated drinks	A higher specific rate of duty of 32% or \$2 per litre will be applied to imported sweetened and carbonated drinks.

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Import Excise Duty

Policy	Description
1. Increase in Import Excise Duty on Cigarettes, Tobacco and Alcohol	Increase in import excise duty by 15% on Cigarettes, Tobacco and Alcohol

Excise Act

Local Excise Duty

Policy	Description
1. Increase in Local Excise Duty on Cigarettes, Tobacco and Alcohol	The Local Excise Duty on Cigarettes, Tobacco and Alcohol will be increased by 15%.

New Local Excise Rates for Tobacco and Alcohol are as follows:

	2017-2018 Rates	2018-2019 Rates
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or less	\$2.98/litre	\$3.43/litre
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or more	\$3.47/litre	\$3.99/litre
Potable Spirit Not Exceeding 57.12 GL	\$65.63/litre	\$75.47/litre
Potable Spirit Exceeding 57.12 GL	\$114.93/litre	\$132.17/litre
Still Wine	\$4.63/litre	\$5.32/litre
Sparkling Wine	\$5.28/litre	\$6.07/litre
Other fermented beverages: Still	\$4.63/litre	\$5.32/litre
Sparkling	\$5.28/litre	\$6.07/litre
Ready to Drink Mixtures of any Alcohol and non-alcoholic beverages of an alcoholic strength by volume of 11.49% or less	\$2.13/litre	\$2.45/litre
Cigarettes from local tobacco per 10 sticks	\$2.01/10 sticks	\$2.31/ 10 sticks
Cigarette from imported tobacco per 10 sticks	\$3.02/10 sticks	\$3.47/10 sticks
Manufactured tobacco containing tobacco grown outside Fiji	\$174.31/kg	\$200.45/kg
Manufactured tobacco containing tobacco grown in Fiji	\$102.40/kg	\$117.76/kg
Manufactured tobacco containing tobacco grown outside Fiji and tobacco grown in Fiji:		
❖ Tobacco grown outside Fiji	\$174.31/kg	\$200.45/kg
❖ Tobacco grown in Fiji	\$102.40/kg	\$117.76/kg

Customs Legislation

Policy	Description
1. Loading without Customs Entry (Pre-shipment)	Section 66 of the Customs Act to be amended to include “\$100 per day per entry to be imposed for failure to perfect SAD for a pre-shipment within the required period”.

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Policy	Description
2. Provisional Entries	The Customs Act will be amended to impose penalty at an initial rate of 25% on the export value with a 5% compounding rate.
3. Definitions	Section 2 of the Customs Act will be amended to include definition of Authorised Economic Operator (AEO).
4. Deferred Payment System	The Customs Act will be amended to exclude Authorised Economic Operators (AEO).
5. Entries for Export (Late Penalty Fine)	Customs Regulation 82(3) will be amended to exclude AEO.
6. Customs Act Section 92	Section 92 of the Customs act will be amended to include 25% penalty on late payment for AEO.
7. Drawback allowed on re-export	Section 98(1)(b) of the Customs Act will be amended to reduce the 2-year duty-drawback claim period to 1 year.
8. All Licensing under Customs Act	The Customs Regulation will be amended for the validity of licenses to be changed for 3 years from the current 1-year period. The annual renewal fee will be thrice the amount of current licence renewal fee. To promote ease of doing business.
9. Miscellaneous	Section 114 of the Customs Act to be amended to allow Customs Officers to retrieve sample of goods already cleared .
10. Auction Sale	To amend the Customs Act by removing the word 'AUCTION SALE' and replace with 'SALE'. This will mean that the method of disposal of goods will depend on FRCS.
11. Code of Conduct for the Customs Agents	Similar to Tax Agents Code of Conduct, FRCS will introduce a Code of Conduct for the Customs Agents.

END

**For avoidance of doubt, please refer to the 2018- 2019 Budget Supplement*