



## TAX TALK

### **Fijians benefit from agricultural incentives provided by the Government**

Agriculture is an important facet of the Fijian economy that offers both employment and opportunities for sustaining livelihoods. Agriculture also has the potential in other sectors such as tourism and agro-industries and as a major economic activity in the rural areas, the sector plays an important role in rural development.

Recognising the huge potential Fiji's agricultural sector presents for economic growth and development, the Fijian Government is providing a number of tax and customs incentives to those involved in the sector for ease of business and to increase production. The incentives are part of Fijian Government's effort to modernise agriculture sector, enhance productivity and become self-sufficient.

#### **Agricultural Incentives Provided to Fijians**

From 2016 to 2018, annually an average of 4000 businesses have been assisted with agricultural incentives with income tax exemption on net farming income. The total worth of assistance provided is approximately \$126.41 million dollars, out of which \$95.64 million was through tax exemptions while \$30.77 million was from duty concessions.

It is important that agricultural businesses know about the incentives available so that they can utilise the opportunities of growth provided to them by the Fijian Government.

#### **Commercial Agriculture and Agro-Processing**

To boost expansion and diversification of commercial agriculture and agro-processing, the Fijian Government is exempting tax on income of any new activity approved and established in this area from 1 January 2009 to 31 December 2028. The tax exemption is on:

- capital investment from \$250,000 to \$1,000,000 for five consecutive fiscal years;
- capital investment from \$1,000,001 to \$2,000,000 for seven consecutive fiscal years; or
- capital investment above \$2,000,001 for thirteen consecutive fiscal years.

#### **Bio Fuel Production**

To enhance alternative, cheaper and locally-available fuel supply, tax holiday is available to a taxpayer undertaking a new activity in processing agricultural commodities into bio-fuels as approved by the Fiji Revenue and Customs Service (FRCS) from 1 January 2009 to 31 December 2028. To qualify, the taxpayer must:

- employ 20 local employees or more for every income year;

- capital investment from \$250,000 to \$ 1, 000,000 for five consecutive fiscal years;
- capital investment from \$1,000,001 to \$2,000,000 for seven consecutive fiscal years; or
- capital investment above \$2,000,001 for thirteen consecutive fiscal years.

### **Duty Concession on Importation of Agricultural Items**

Duty exemptions apply on importation of plant machinery and equipment for initial establishment of the factory, chemical required for bio-fuel production and all agricultural items including specialised machinery, equipment and agricultural inputs provided that a support letter is obtained from the Ministry of Agriculture. However, 9% Value Added Tax (VAT) will still apply on importation of these items which would be refunded to those registered for VAT.

### **Tax Exemption to SMEs in the Agriculture Sector**

To support Small and Micro Enterprises (SMEs) in the agricultural sector, the Fijian Government is providing tax exemption to SMEs with turnover of \$500,000 or less per annum under the Income Tax Act 2015 provided that its business income is only derived from agricultural activities in the following sectors:

- 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 people)

However, the agribusiness will have to file the annual tax returns stating the income derived and the subsequent profits generated. SMEs that are purely agricultural based and are involved with raw and unprocessed materials (produce supplier) like dalo and kava also have the option of not registering for VAT regardless of its annual turnover.

In cases where businesses choose to voluntarily register for VAT, then it will have to charge and pay VAT to FRCS. However, if the SME is not registered for VAT, then it cannot charge VAT on its supplies.

These SMEs also qualify for waiver on stamp duty. However, it must be registered with business license, be tax and customs compliant and provide a Statutory Declaration confirming that it has a gross turnover not exceeding \$500,000. Copies of financial statements must be attached where applicable.

### **How to Apply**

All applications for agricultural tax incentives must be submitted to FRCS with all required information and documents. For SME incentive, claims for exemption can be made in the income tax return for a fiscal/tax year.

Fiji's agriculture sector remains important to the economy for income generation, food security and as a main source of work for a large percentage of the country's rural population.

For more information, please email us on [info@frcs.org.fj](mailto:info@frcs.org.fj).