



### **Warehouse Business Investment Package (WBIP)**

To encourage investment in the business of warehousing and storage facilities, a new incentive package has been introduced in the 2019/2020 National Budget to grant incentives to companies investing in warehouses and storage facilities.

Under the Warehouse construction incentive packages, there are two categories of incentives:

- **Warehouse Business Incentive Package (WBIP)**- provides incentive to companies engaged in the business of hiring out or renting out a warehouse.
- **Warehouse Construction Incentive Package (WCIP)** -incentive to companies constructing warehouse.

These incentive are available to companies only that are registered under Companies Act 2015.

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

In this week's Tax Talk we will focus on the Warehouse Business Incentive Package and the requirements for qualifying for this. Warehouse Construction Incentive Package will be discussed in next week's Tax Talk.

#### **Warehouse Business Investment Package (WBIP)**

For this incentive package, the warehouse business means a company engaged in the business of hiring or renting out a warehouse.

Warehouse Business Investment Package applies to a project with capital investment over \$250,000, where the project commences on or after 1 August 2019 and the warehouse is completed within 24 months from the date the provisional approval is granted. Capital investment includes the cost of support infrastructure and consultant fees but excludes the cost of land.

The approval for the Warehouse Business Investment Package is granted in two stages which are provisional and final approval.

### **Provisional Approval**

Applications for provisional approval can be made to the Fiji Revenue and Customs Service (FRCS) with the following documents:

- a. the name and registered office of the company;
- b. the names of all directors and shareholders of the company together, including shareholdings of the directors and shareholders;
- c. a recent statement of all assets and liabilities of the company;
- d. evidence of the company's ability to complete the warehouse business investment; and
- e. estimates of the projected income from the new warehouse.

Additional information may be required however, this would be on a case by case basis depending on the circumstances surrounding the investment package and the application.

The following factors will be considered for provisional approval:

- a. It must be a company registered under the Companies Act 2015;
- b. The company must be engaged in the business of hiring out or renting out a warehouse;
- c. The company must make warehouse business investment in a project with capital investment of over \$250,000. The capital investment amount includes cost of support infrastructure and consultancy fees but excludes the cost of land;
- d. The project undertaken by such company in warehouse investment business must have commenced on or after 1 August 2019. This means that a company that has already commenced warehouse investment business will not qualify for the incentive;
- e. That the application is for a warehouse business investment;
- f. That the company intends to complete and is capable of completing the warehouse business investment; and
- g. That the warehouse business investment will benefit the economic development of Fiji.

### **Duty Concessions**

Once the provisional approval is granted, companies or entities engaged in the construction of warehouses will be entitled for exemption from fiscal and excise duty on the importation of raw materials, machinery and equipment (including parts and materials) required or used specifically in initial establishment of the warehouse. However, 9% Value Added Tax (VAT) will apply on the importation of

exempt goods.

Though the goods that are imported qualifies as exempt goods, the company must satisfy that these goods cannot be produced locally as approval may not be given to goods that can be produced locally.

### **Completion Timeline**

The company must complete the warehouse business investment within 24 months from the date on which provisional approval is granted.

If the company is unable to complete the project within the 24-month timeline due to unforeseen circumstances or circumstances beyond the control of the company such as natural disasters or unavailability of construction material in the market, then the company may write to the Minister for an extension of the time under which the warehouse construction must be completed.

### **Final Approval**

A company which has been granted provisional approval and has completed the project within the timeline may apply to the Minister for final approval.

The application for final approval must be made in writing with supporting documents including fully audited final accounts showing the total cost of the project and a completion certificate from the local authority. The Minister may decline the application for final approval to the company.

In the event that the application for final approval is declined, the duty payable for the importation of exempt goods under the provisional approval immediately become due and payable by the company.

However, the Minister may grant final approval, with or without any conditions, if satisfied that the company has in all respects completed the requirements of the project and the warehouse is fully operational.

Once final approval is granted by the Minister, the company's income becomes exempt from tax based on their investment levels in bands below:

- a. in the case of a capital investment from \$250,000 to \$1,000,000, for a period of 5 consecutive fiscal years;
- b. in the case of a capital investment from \$1,000,001 to \$2,000,000, for a period of 7 consecutive fiscal years; and
- c. in the case of a capital investment of more than \$2,000,000, for a period of 13 consecutive fiscal years.

## **Revocation**

The incentive may be revoked if:

- a. any conditions of provisional or final approval are breached;
- b. failure to comply with any of the requirements of the Income Tax (Warehouse Construction Incentives) Regulations 2019; or
- c. being convicted of an offence under the Income Tax (Warehouse Construction Incentives) Regulations 2019 or any other written law relating to taxation, customs or excise.

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

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