



TAX TALK

Investment in Buildings for Use by Government or Government Entities

In the 2020/2021 National Budget, the Fijian Government announced a new incentive package for private companies investing in buildings to be used by government or any entities approved by government.

This investment package is only available to those starting this Project on or after 1 August 2020.

In this week's Tax Talk, we will focus on the policy and operational practice in relation to the private sector investment in buildings to be used by government or any entities approved by government.

This incentive is granted in two stages including provisional and final approval.

Provisional Approval

Applications for provisional approval needs to be lodged with the Minister for Economy with the following details:

- the name and details of the person;
- a current statement of all assets and liabilities of the person;
- the location and description of the proposed building site;
- a sketch showing the project;
- the estimated cost of the project;
- if the project is to be carried out in stages, a description and the estimated cost, of each stage and details of the proposed timetable;
- evidence of the person's ability to undertake the project;
- details of the proposed method of financing the project;
- estimates of the projected rental income of the person;
- evidence that the Government or an entity approved by the Government has given the person a written undertaking to use the building on completion of the project; and
- any other information the Minister may require.

The following factors will be considered for provisional approval:

- I. **Assets and liabilities of the applicant-** it is important for the applicant to provide the details and the market value of his/her asset and liabilities endorsed by the external recognized auditor.
- II. **Nature and the extent of the project-** the following documents are required:
 - The type of ownership of land on which building will be constructed;
 - Building plan approved by the required authority;
 - Scope of work;
 - Estimated project cost;
 - Contractors and sub-contractors that will undertake the work;
 - Estimated date of completion of the project;
 - Contractors and sub-contractors that will undertake the work; and
 - Estimated date of completion of the project.
- III. **Any other information that the Minister may consider relevant.**

Duty Concession Importation of Raw Material and Capital Goods

Once the provisional approval is granted, companies or entities engaged in government building investment projects will be entitled to exemption from fiscal and excise duty on importation of raw materials, capital equipment, plant, machinery and any other goods used for production of other goods that will be used in the construction of the building excluding furniture and motor vehicles. However, 9% Value Added Tax (VAT) will apply on the importation of exempt goods. Evidence must be provided that these goods cannot be produced locally as approval may not be given to goods that can be produced locally.

Disposal of Imported Goods Under Duty Concession

In accordance to section 17 of the Customs Tariff Act 1986, any capital goods imported under the duty concession for the purpose of the Government Building Investment Incentive is being disposed or used for any other purpose apart from the Government Building Investment Incentive within 5 years from the date of importation or delivered from warehouse will be liable for the import duty at the rate on the value subsisting at the date of disposal or goods may be put to other use as determined by the Comptroller (FRCS CEO).

Additionally, any person who disposes the goods imported under the concession or uses the goods for any other purpose apart from Government Building Investment Incentive project, must pay the duty with a report as required by the Comptroller within 14 days.

Failure to pay the duty within 14 days may result in maximum of \$25,000 fine or 10 years' imprisonment or both and forfeiture of goods. Any person who knowingly acquires, uses or otherwise deals with the goods imported under this concession within 5 years from the date of importation of such goods is liable for maximum \$25,000 fine or 10 years' imprisonment or both and forfeiture of goods.

The concession can be transferred from one concession holder to another concession holder with the approval from the Comptroller.

Completion of Project and Final Approval

Applicants granted with provisional approval and has completed the project, need to apply for final approval with the following documents:

- fully audited final accounts showing the total cost of the project;
- a final plan showing the site, layout and surrounding areas of the project;
- a certificate of completion; and
- permit to occupy issued by a building surveyor in accordance with the Public Health (Building) Regulations 1959, as applicable.

This incentive can be revoked or cancelled in the case of:

- a breach of any condition of provisional or final approval;
- failure to comply with any of the requirements of Income Tax Act (Government Building Investment Incentive) Regulation 2020; or
- being convicted of an offence under any written law relating to taxation, customs or excise.

For more information, please email us on info@frcs.org.fj.

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