



TAX TALK

Customs Changes in the 2021/2022 National Budget

The National Budget 2021/2022 announced on 16 July 2021 reflects a number of changes in terms of duty reduction and other key amendments that has taken into consideration the effects of COVID-19 on the Fijian economy. Such reductions and incentives assist the businesses and traders as well as the community at large in terms of employment, access to better and diversified products and also sustains the economy. In this week's Tax Talk we will focus on some major amendments made in customs in the 2021/2022 National Budget.

1. Reduction in Fiscal Duty

<u>Items</u>	<u>Reduction</u>
Fiscal duty on audio visual equipment such as television cameras, digital cameras, video cameras, recorders, pocket-sized radio cassette players and radio receivers	Fiscal duty reduced from 5% to Free
Fiscal duty on spare parts for electrical equipment such as detector machine	Fiscal duty reduced from 5% to Free
Liquid milk, cream milk, yogurt, butter and cheese	Fiscal duty from 32% to 5% effective 31 August 2022
Green tea	Fiscal duty reduced from 5% to Free
Vegemite	Fiscal duty reduced from 32% to 5%
Pure fruit juices containing no added sugar or other sweetening matters	Fiscal duty reduced from 32% to 15%
Lead-acid batteries	Fiscal duty reduced from 32% to 15%
Duty rates as announced the 2020/2021 national budget	The reduced duty rates shall be maintained for the next 3 years

2. Incentives Introduced

In addition to duty reduction, incentive packages have also been designed to encourage investment and more employment in the country such as the following.

<u>Description</u>	<u>Duty Rates</u>
Approved companies/entities for the importation of termidor chemicals	Free Fiscal duty, Free Import Excise, 9% VAT
Companies engaged in broadcasting and network service providing importing broadcasting and telecommunication equipment for upgrade works and spare parts	Free Fiscal duty, Free Import Excise, 9% VAT
Approved investments in ICT structures for ICT purposes (under the Income Tax Regulations) are eligible for raw materials, machinery, equipment and spare parts	Free Fiscal duty , Free Import Excise, 9% VAT
Approved investment in Telecom ICT Park (under the Income Tax Regulations) are eligible for raw materials, machinery,	Free Fiscal duty, Free Import Excise, 9% VAT

equipment and spare parts	
Approved investments in Network Cabling & Infrastructure (under the Income Tax Regulations) are eligible for raw materials, machinery, equipment and spare parts	Free Fiscal duty, Free Import Excise, 9% VAT
Approved investments in a recycling business (under the Income Tax Regulations) are eligible for raw materials, machinery, equipment and spare parts	Free Fiscal duty, Free Import Excise, 9% VAT

3. Bonafide Passenger

In anticipation of the re-opening of the borders for international travel and tourist activities, the duty free allowance on other dutiable goods for a travelling passenger disembarking in Fiji has been increased from \$1000 to a value not exceeding FJD\$2000. This means that a travelling passenger is exempted from duty if the value of other dutiable goods does not exceed FJD\$2000. If the value of the goods is above FJD\$2000, duty becomes applicable on the excess of the allowance. Furthermore, on the same note and in expectation of high volume of travel once borders re-open and in addition to the normal passenger allowance, a travelling passenger's unaccompanied luggage is eligible to a duty free allowance of not exceeding FJD \$2000 provided that the luggage is:

- imported within 3 months of the travelling passenger's arrival into the country,
- are for personal use and
- not extended to commercial importation.

4. Assistance to Businesses and SME's and Other Key Changes

- For local goods that are manufactured locally and may not be sufficiently available or if there is a national shortage, such goods can be imported into the country at a reduced rate of duty at 5% Fiscal, Free Import Excise and 9% VAT, provided that confirmation is obtained from the local manufacturer in this regards. Examples of goods facilitated under this concession are steel pipes, galvanized pipes, rectangular tubings, cement, timber, reinforcing bars, veneer plywood and nails or any other locally manufactured goods. Cement currently can be imported into the country at a reduced rate of 5% Fiscal, Free Import Excise and 9% VAT for the period 1st August 2021 to 31st December 2021.
- Hotels and resorts are eligible for duty concession on the importation of building materials, kitchen, dining and bedroom amenities, front office amenities and outdoor equipment at Free Fiscal, Free Import Excise and 9% VAT. The rates have been reviewed from a concessionary rate of 3% fiscal to zero fiscal applicable from 1 August 2021 to 31 December 2022.
- To be eligible for duty concession on the importation of used diesel and petrol vehicles imported for the purposes of taxi (who own only one taxi), the vehicle must not be more than 5 years old from the year of manufacture.
- To assist the businesses in terms of managing their cash flow during this difficult times, Deferment of VAT payment for a period of two months for Gold Card Customers has been introduced.
- Deferment of duty for compliant bonded warehouse operators for a period of 1 month in order for them to manage their cash flows and look for prospective customers (local/export) before payment of duty to FRCS.
- Offsetting of tax debt – overpayment of customs duties, bonds or fees can be offset against tax debt. Not applicable for disputed amounts.

- Dishonored cheques – will incur a fine of \$500.
- Claim for Refund of customs duty is to be re-lodged within a maximum of 30 days and can be claimed for a minimum value beginning from \$50.
- Penalty for infringement of the Customs Prohibited Imports and Exports Regulations is increased from \$10,000 to \$25,000.
- 100% Electric vehicles and quad bikes are exempted from Euro 4 criteria. Euro 4 is a globally accepted European emission standards for vehicles that requires them to more environmental friendly.
- E-cigarettes will require import permit from Ministry of Health for importation – commercial purposes.
- To ensure anti-dumping, pasta, chips, noodles and biscuits will need to have a shelf life of not less than 3 months when imported – commercial purposes.
- Hotels and resorts, private importation Travelling passenger allowance and crew allowance and importation of unaccompanied passenger luggage shall be exempt from the Environment Climate Adaptation Levy (ECAL).
- With effect from 1st August 2021, Freight forwarders will now be required to obtain a licence from FRCS under the Customs Tariff Act 1986 in order to act and manifest goods for importation/exportation.
- To reduce cost of doing business and modernize/ simplify business processes, the requirement to acquire a HMC license will be revoked effective 1 January 2022.

The above reductions, incentives and other key changes have been introduced to assist our Fijian economy during times of this pandemic. To ensure the correct implementations as per the policy intentions, FRCS has developed Standard Interpretative Guidelines (SIGs) and drafts on key announcements which have been placed on FRCS website <https://www.frcs.org.fj/our-services/practice-statements/standard-interpretation-guidelines/> for stakeholder consultations. We encourage our stakeholders to access these documents and express your views and concerns for consultation purposes with FRCS.

FRCS shall continue to work in partnership with our stakeholders and the general public to ensure that the policy intentions of budget amendments are accurately administered for the betterment of our economy. For the 2021/2022 National Budget Summary on Revenue Policies, visit <https://www.frcs.org.fj/wp-content/uploads/2021/07/2021-2022-National-Budget-Summary-of-Revenue-Policies.pdf>. For more information, please email us on info@frcs.org.fj.

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