



Fiji Hotel and Tourism Association Presentation

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Presentation Outline

- **Fiji's Tax Policy Experience**
- **Tourism Tax Regime**
- **2017-2018 Budget**



Fiji's Tax Policy Experience



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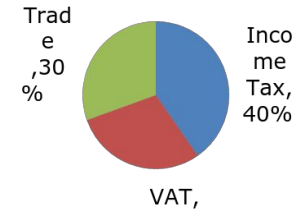
& Customs Service

Fiji Revenue & Customs Service

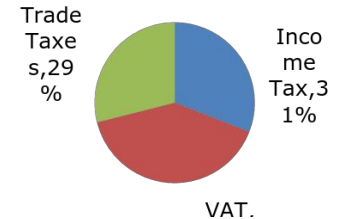
Fiji's Tax Policy Experience

- Consistent with **Best Global Practice.**
 - Pro Growth Tax policies
 - Low rate and broad base
 - Indirect taxation
 - Eliminating discrimination in tax treatments
- **Modernized** its tax administration
 - Single set of administrative rules
 - Simplified Tax Legislation in 2016
 - Final Taxes – PAYE, Dividend, Interest.
 - Self-assessment – Intel & Risk Management Approach
- Modern Tax **Compliance** laws and focus
 - Engagement with OECD/G20 Base Erosion and Profit Shifting
 - Distortions and opportunity for non-compliance

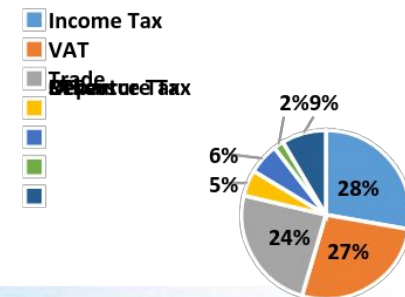
Revenue Mix 2000



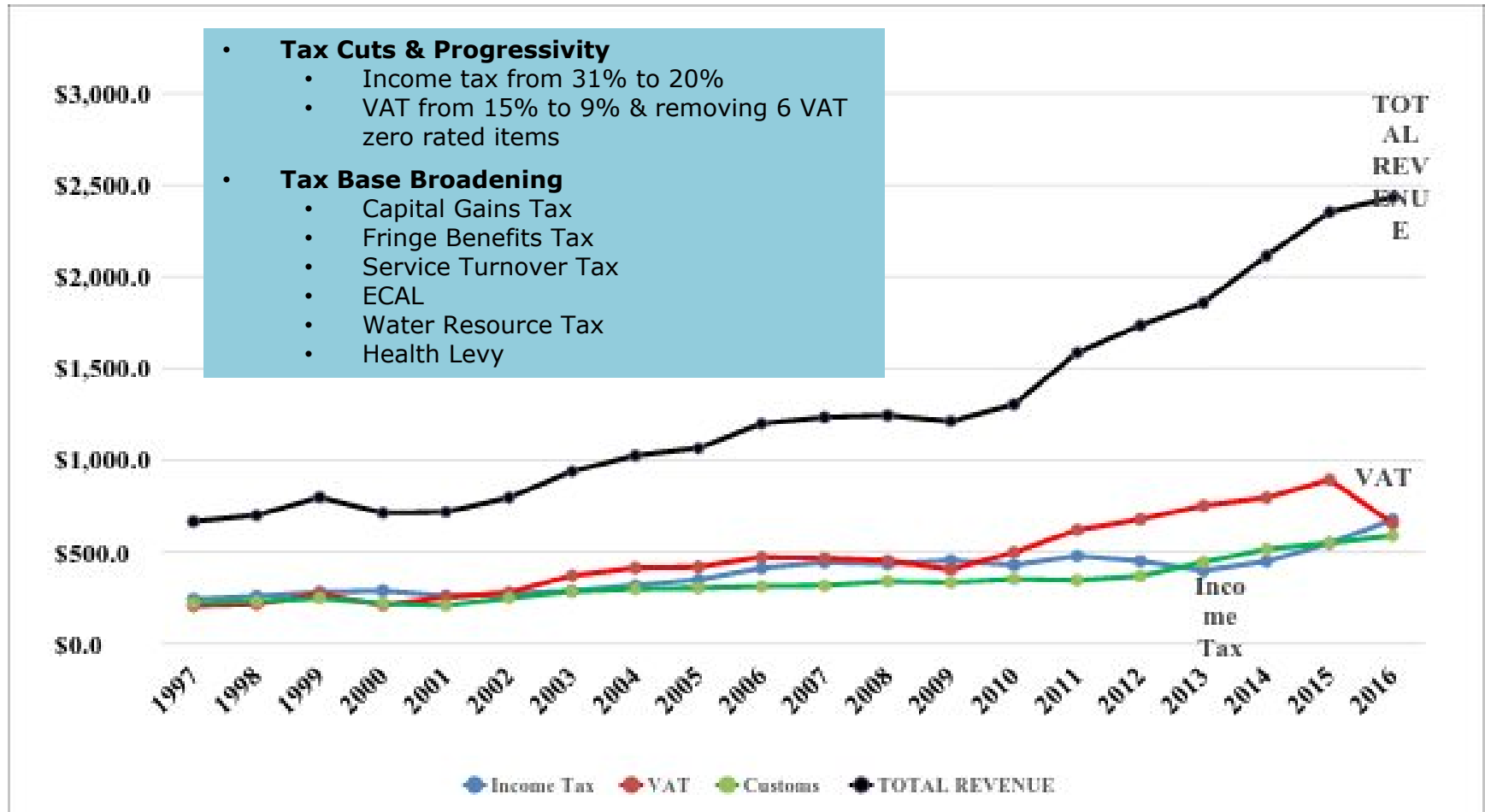
Revenue Mix 2004



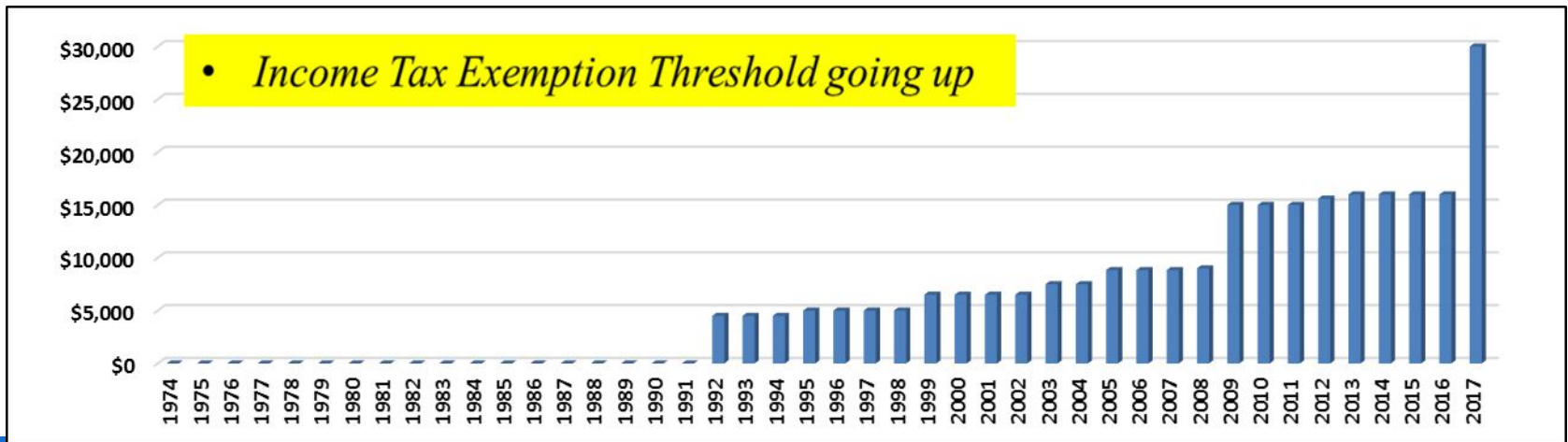
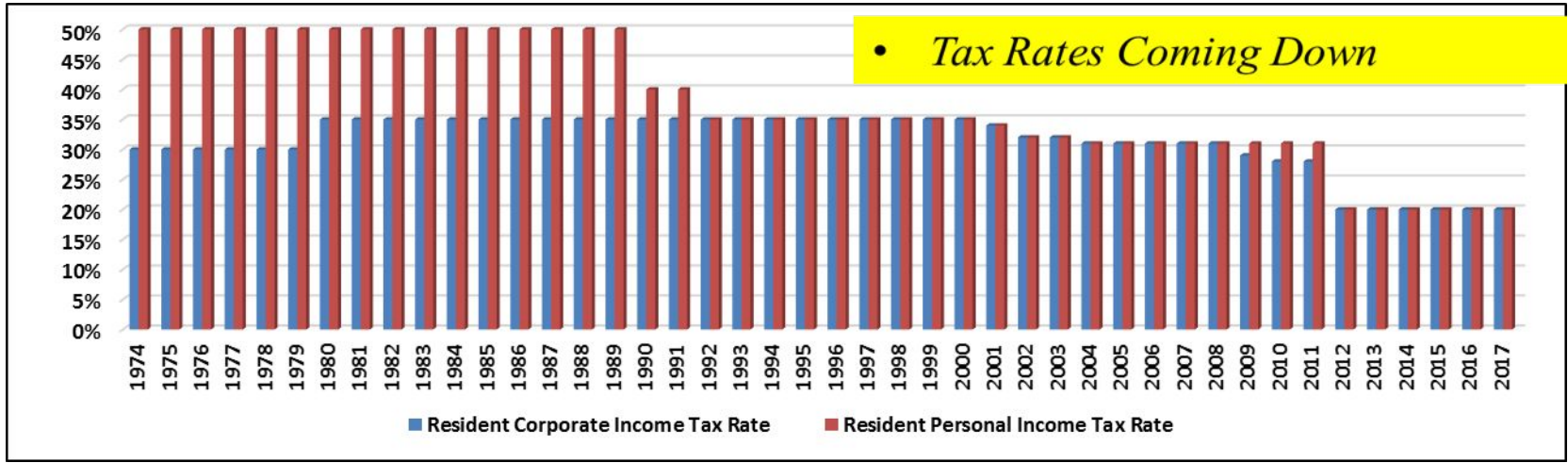
Tax Mix 2016



Fiji's Tax Policy Experience



Fiji's Tax Policy Experience?

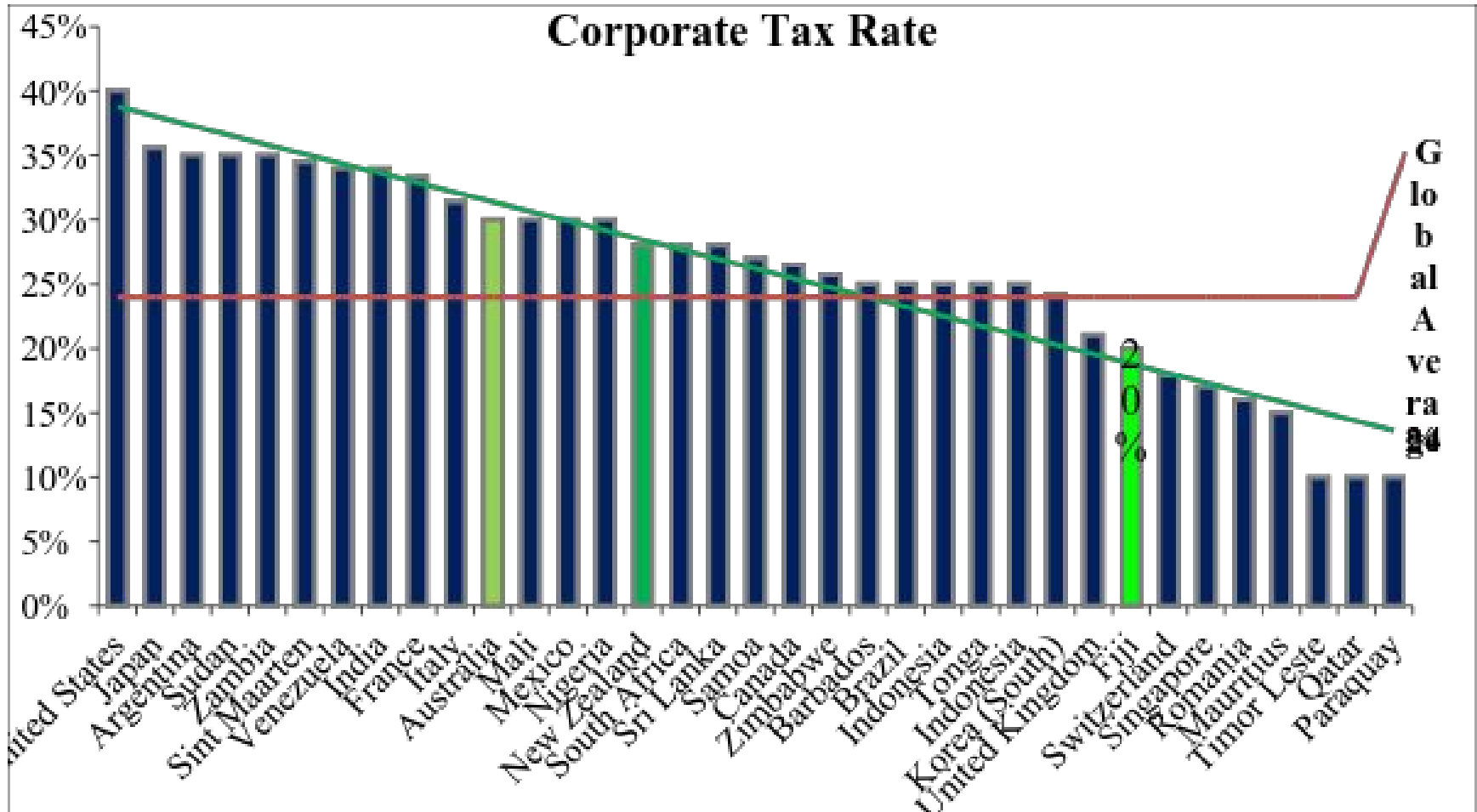


Fiji's Tax Policy Experience

<u>TAX TYPES</u>	<u>FII TAX RATES</u>
Corporate Income Tax	20%
Stock Exchange Listed Companies	10%
Multinational Headquarters	17%
Personal Income Tax (PAYE)	18%, 20%
Fringe Benefit Tax (FBT)	20%
Social Responsibility Tax (SRT)	13% of excess above \$270,000
Withholding Taxes	15%
Value Added Tax (VAT)	9%
Capital Gains Tax (CGT)	10%
Stamp Duties	Subject to instruments
Service turnover Tax (STT)	6%
Environmental and Climate Adaptation Levy (ECAL)	10%



Fiji's Tax Policy Experience

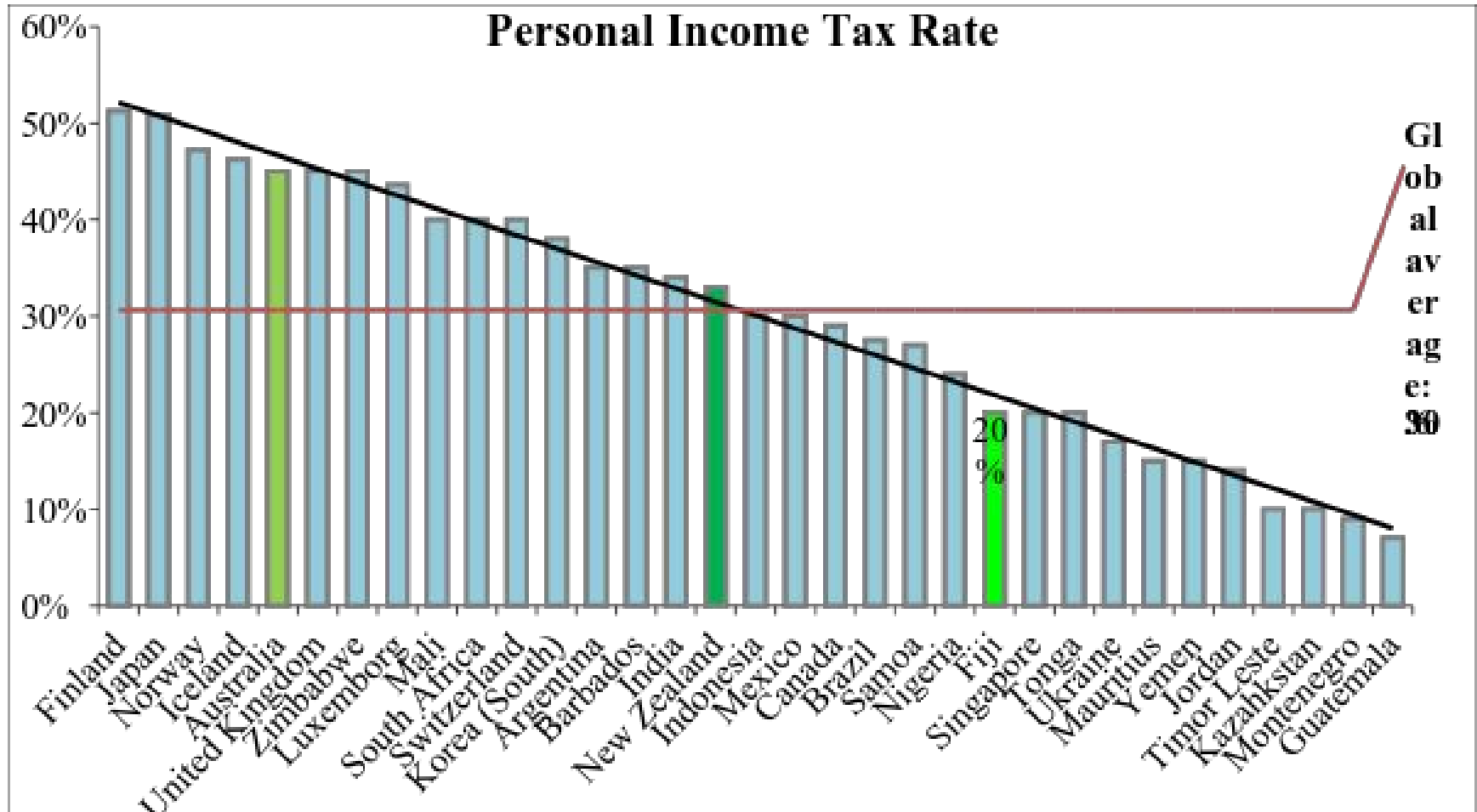


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Fiji's Tax Policy Experience

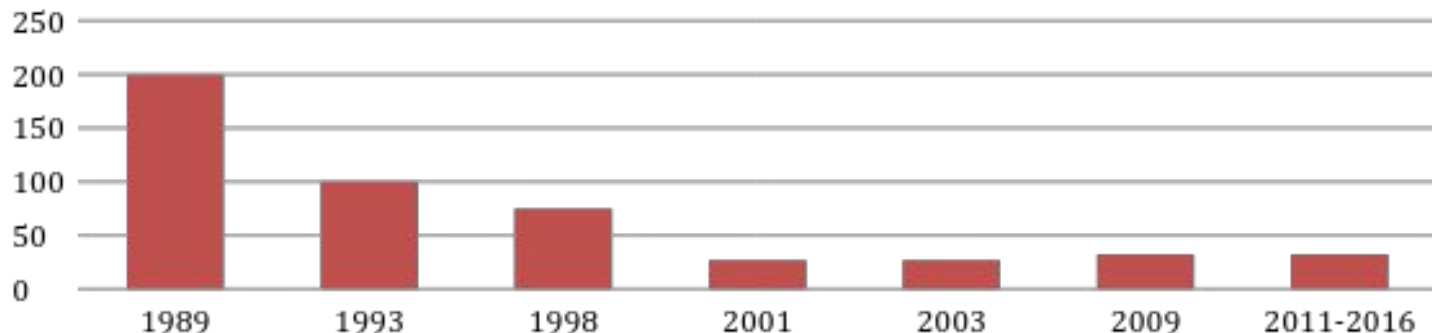


Fiji's Tax Policy Experience

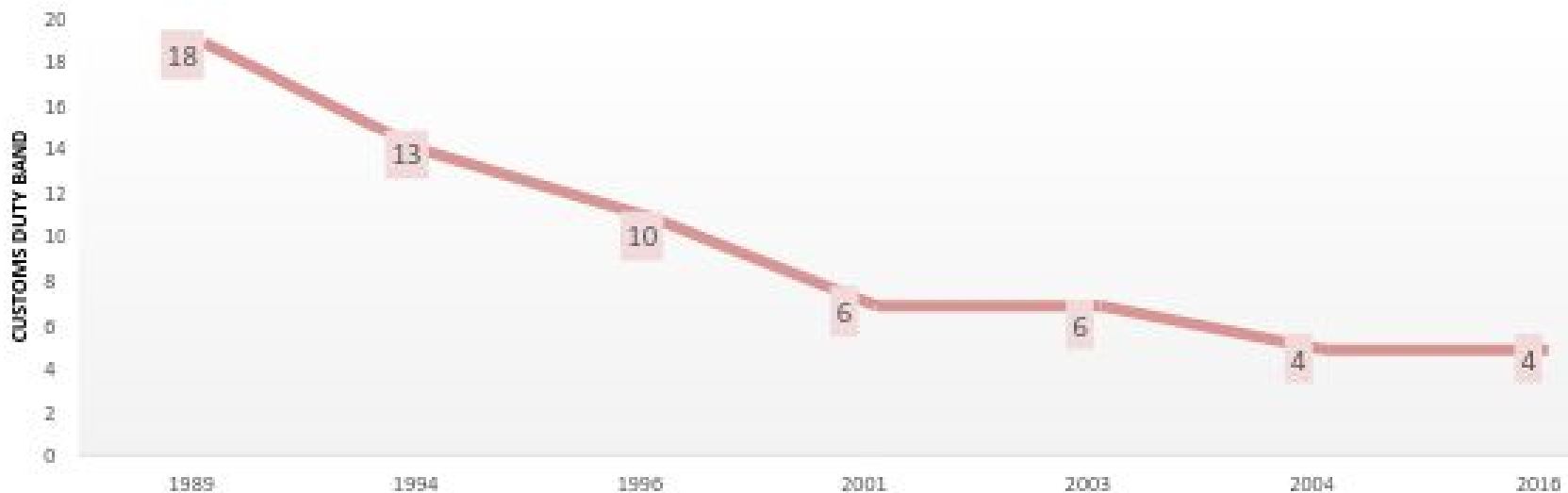
- Customs Duty Regime

Fiscal Duty (%)	Examples
0	Agricultural items, Medicaments, educational items, tourist items, etc
5	Specialized machines, manufacturing machines, etc.
15	White Goods, Motor vehicles,
32	Industry protection, Motor Vehicles, revenue generating items

Maximum Customs Duty Rate



Year	Tariff Structure	Bands
2009 - 2017	0, 5%,15%,32%	4
2008	0,5%,15%,27%	4
2006 & 2007	0,3%,15%,27%	4
2005	0%,3%,15%,27%	4
2004	0%, 3%, 15%, 27%	4
2003	0%, 3%, 10%, 15%, 20%, 27%	6
2002	0%, 3%, 10%, 15%, 20%, 27%	6
2001	0%, 3%, 10%, 15%, 20%, 27%	6
1996	0%, 5%, 10%, 15%, 17.5%, 22.5%, 30%, 35%, 50%, 60%	10
1994	0%,5%, 10%, 20%, 25%, 65%, 35%, 30%, 25%, 10%, 50%, 60%, 80%	13
1989	0%,5%, 7.5%,10%,15%, 20%,25%,30%,35%,40%,45%,50%,55%, 60%,70%,80%90%,200%,	18



TOURISM TAX REGIME

- **Standard Allowance**
- **Short Life Investment Package**
- **Concession Code 235**



Hotel Industry Incentives

Income Tax (Hotel Incentives) Regulations 2016

Standard Allowance

- Covered under Part 2 of Income Tax (Hotel Incentives) Regulations 2016
- From 2017, IA ONLY applied to NEW_hotels (**Regulation 12(1)**).
- **New** hotels means operational on or after 1 Jan 2017 (**Regulation 12(2)**).
- 2016 Budget, announced in November 2015. 1 year window was granted for existing hotels.
- Existing hotel means operational prior to 1 Jan 2017 (**Regulation 12(2)**)
- Investment allowance of 25% (reduced from 55%, effective from 2016) of total capital expenditure is allowed as a deduction (**Regulation 9**).
- Prior approval required.



Hotel Industry Incentives

Income Tax (Hotel Incentives) Regulations 2016

Short Life Investment Package (SLIP)

- **Covered under Part 3** Income Tax (Hotel Incentives) Regulations 2016
- **4 years tax holiday** for capital investments not less than **\$7m (Regulation 21(b))**
- **Applies to new** hotels, effective from 2017 (**Regulation 21**).
- Grace period was in place to enjoy 10 years holiday (Regulation 21).
- **Import duty exemption on capital goods** (all capital equipment, plant and machinery and any other good employed in the production of other goods but does not include furniture and motor vehicle (**Regulation 16** linked to **Customs concession code 244**)).
- **Also includes:**
 - **Villa**
 - **New Apartment;** and
 - **retirement facilities that includes amenities as per Regulation 2.**



Customs Concession Code 235

- Available to ALL Hotels and Resorts;
- Duty rates charged: **10% Fiscal, free Import Excise and 15% VAT (items below 10% Fiscal will be charged the normal rate);**
- The following items are included under the concession code:
 - Building materials, furnishings and fittings, equipment including front office equipment, room amenities, kitchen and dining room equipment and utensil which are not manufactured in Fiji;
 - Specialized water sports equipment (e.g water bike and other similar goods as the comptroller may approve which are not manufactured in Fiji);
 - Heavy plant and machinery for project development work provided such plant and machinery is re-exported after completion of the project.
- Conditions (next slide)



CUSTOMS CONCESSION CODE 235


- In order to enjoy duty concession under Code 235, the following conditions must be met:
 - That the hotel/resort project has been approved;
 - That hotel/resort seeking duty concession are registered as a hotel or a resort;
 - That the hotel/resort seeking duty concession makes a written submission to the Comptroller with the details of works to be carried out with other relevant particulars;
 - That the Comptroller grants a written approval for approved goods to be cleared under duty concession;
 - That the goods will be used for the construction or equipping of the hotel/resort and which are proved to the satisfaction of the Comptroller as not being manufactured in Fiji to a specification which he considers reasonable; and
 - Any other conditions as the Comptroller may require from time to time.



Tax Free Region Incentives

Income Tax (Tax Free Region Incentives) Regulations 2016



 - Tax Free Regions

Tax Free Region Incentives

Income Tax (Tax Free Region Incentives) Regulations 2016

1. Tax Exemptions Available

- 5 consecutive fiscal years (\$250k - \$1m); or
- 7 consecutive fiscal years (\$1m - \$2m); or
- 13 consecutive fiscal years (>\$2m).

2. Import Duty Exemptions Available

- For establishment – raw material, machinery & equipment.

3. Other Benefits Under The TFR

- **Additional 5** years of income tax exemption if having indigenous Fijian landowner equity of at least 25 percent.
- **Additional 7** years of income tax exemption is available to any **hotel developer** granted a license and having indigenous Fijian landowner equity of at least 25 percent.



2017-2018 Budget Measures for Tourism Industry



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PAYE, ECAL, STT, SRT Rate Changes

- **PAYE** – Threshold Changes
- **SRT** – reduction by 10 percentage point across each band
- **ECAL:**
 - 5 Tax base, 10% rate
 - EL amended to be ECAL with 5 tax base
 - Prescribed Services rate increased from 6% to 10%
- **STT** – Reduction from 10% to 6%.



Price Changes

- The Service Turnover Tax Act and the Environment and Climate Adaptation Levy Act has been amended whereby businesses charging STT/ECAL will be required to display to their customers the STT/ECAL inclusive prices for all their products and services.
- Non-compliance to the price inclusive display will be punishable by a fine or prosecution or both.



Tax on Tax

- Service Turnover Tax Act will be amended to eliminate and avoid charging of tax on tax whereby one STT service provider provides service through another STT service provider.
- Similar provisions will be implemented in the Environment and Climate Adaptation Levy Act



THANK YOU



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