



# Flash report

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Issue 19

This flash report highlights the amendments to the Income Tax (Exempt Income) Regulations 2017 following the 2017/2018 National Budget announcement. The amendments which were gazetted on 31 July and 16 August 2017, came into effect from 1 August 2017.

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## Regulation 4: One-off payments or receipts (New)

- In line with the amendments to the Income Tax Act 2015 for the new section 8 (8), which provides for the exemption of one-off payments or receipts, as prescribed by the Regulations, from Social Responsibility Tax (a portion of which is the Environment and Climate Adaptation Levy), the new Regulation provides that "a one-off payment or receipt means:

- (a) a gain from the sale of an asset;
- (b) a redundancy payment;
- (c) a retiree allowance;
- (d) a gratuity allowance; or
- (e) an exit inducement payment."

Amendments to the **Schedule to the Income Tax (Exempt Income) Regulations 2017** are as follows:

### Part 2 of the Schedule – Exempt Entities

- A new paragraph 2A is inserted to include "A society registered under the Co-operatives Act 1996 that is assisted by the Government for any project but the exemption shall not exceed 5 years from the date of assistance"

### Part 5 of the Schedule – Exempt Dividends

- The paragraphs 1 to 6 under Part 5 have been deleted and replaced with a new paragraph 1 which provides that "Any dividend received is exempt income"

### Part 9 of the Schedule – Economic Development Exemptions

- Paragraph 6 relating to exempt income of a person derived, from a new activity in commercial agricultural farming and agro-processing approved by the CEO, during the period 1 January 2009 is extended to 31 December 2028 (where previously it was 31 December 2014)

- Subparagraphs relating to exempt income thresholds for a new activity approved and established from (a) 1 January 2009 to 31 December 2009; and (b) 1 January 2010 to 31 December 2014; both with specific capital investment thresholds and exempt income periods are deleted and replaced with new subparagraphs (a), (b) and (c)
- Following the amendment, exempt income (derived from a new activity in commercial agricultural farming and agro-processing approved by the CEO during the period 1 January 2009 to 31 December 2028) has been amended across level of capital investment, summarized below:

Level of capital investment	Consecutive tax years (Amended)	Consecutive tax years (Previously)
(a) \$250,000 to \$1,000,00	5 years	4 years
(b) \$1,000,001 to \$2,000,000	7 years (no change)	7 years
(c) Greater than \$2,000,000	13 years	10 years

- Paragraph 7, relating to the exemption of income derived from a new activity in processing agricultural commodities into bio-fuels has been deleted and replaced with the following new provision:

*"The income of a person derived from a new activity in processing agricultural commodities into bio-fuels approved by the CEO during the period 1 January 2009 to 31 December 2028 and employing 20 local employees or more for each year for the duration of the income tax, is exempt income as follows:*

- (a) *in the case of capital investment from \$250,000 to \$1,000,000, for a period of 5 consecutive tax years;*
- (b) *in the case of capital investment from \$1,000,001 to \$2,000,000, for a period of 7 consecutive tax years; or*
- (c) *in the case of capital investment of more than \$2,000,000, for a period of 13 consecutive tax years;"*

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