Tax Talk- 2019/2020 National Budget Revenue Policies

In 2019, the economy is projected to grow by 2.7 percent with major contributions from the manufacturing, transport, financial & insurance and wholesale & retail trade sectors. In 2020, a broad-based growth of 3.2 percent is forecasted for the domestic economy with major contributions expected from the manufacturing, transport & storage, accommodation & food services, wholesale & retail trade and construction sectors.

To encourage investment, social and economic growth Government has announced the following incentives and tax measures in its 2019/2020 national budget.

Export Income Deduction

International trade plays a crucial role in promoting growth in a developing economy like Fiji, as it opens up opportunities for new export markets, reduces commodity prices for imported goods, and creates a free-flowing space for cross-border trade and investments. To realise these benefits, there must be genuine commitment and resolve amongst trading partners to secure mutual benefits from trade agreements.

The Export Income Deduction will be re-introduced with retrospective application from 2018 and maintained for 3 years. The Export Income Deduction will be allowed at the rate of 50%. The Export Income Deduction will expire in 2020.

100% Tax Deduction on FNPF contribution

In an attempt to reduce the cost of doing business in Fiji, taxpayers will be allowed a 100% tax deduction (up from the current 50%) for FNPF contributions made on behalf of employees. The 100% tax deduction will ensure that businesses will no longer have to absorb 50% of the cost, which will in turn reduce their tax liability. The allowing of the 100% deduction will be consistent with the accounting principle that all business expenses incurred to generate revenue are matched.

Audio Visual Incentives

The film tax rebate will be increased from 47% to 75% and will be based on the expenditure incurred in Fiji and paid to Fiji Resident companies for goods and services. The maximum rebate payable per approved final certificate will not be more than $15 million.

A 200% tax deduction will be available to companies investing in camera and other filming equipment for audio visual productions. Income tax holiday will be available to companies who set up production facilities including equipment, cameras, editing and post production studios. Income tax exemption for a period of 7 years will be available provided capital investments is more than $2 million.

Import duty exemption on raw materials, plant, machinery and equipment (including spare parts) required for the establishment of the business.

Residential Housing Development Package

Government has strengthened the residential housing incentives packages to encourage more inclusive and affordable housing developments, both for home ownership and public rental purposes, rewarding developers that include significant options for affordable housing in their development plans.

Income Tax (Residential Housing Development Package) Regulations 2016 will be amended to provide clarification on a ceiling on the sale price of residential housing so that it is affordable to potential average Fijian home buyers.

The incentive will only be available with the following condition to a multi-storey development:
Each storey to have at least 15% of the units below the price ceiling of $300,000. This requirement only applies to the first 5 storeys of the development. The incentive will also be available for a ground level multi-unit housing developments.

The following incentives will also be available:

Income tax exemption on developer profits for the entire project. Import duty exemption on the importation of capital equipment, plant and machinery. Subsidy on the proportion of capital investment incurred for the development of the housing units at the following rates:

Less than $100,000 – 7%
$100,000 to $200,000 – 5%
$200,000 to $300,000 – 3%

Development of Housing for Public Rental

Any private sector business investing in a multi-unit rental housing development will be granted an income tax holiday for the entire duration of the rental agreement with government.

Loss Carried Forward

The loss carried forward provision will be increased from 4 years to 8 years. This will only be applicable to losses incurred in financial year starting 1 January 2019 and onwards.

Duty Reduction on Trucks and Heavy Machinery

Given the increased industrial and civil projects, the duty on trucks or vehicles for transport of goods has been significantly reduced. The 2019/2020 National Budget will also see a reduction in the customs duties on heavy machinery to 5%. This includes items such as ship derricks and cranes, forklift trucks, work trucks, bulldozers, graders, levellers, excavators, shovel loaders, road rollers and scrapers. The decrease in duty will also apply on used trucks and machinery.

Duties on Motor Vehicles

As part of the Government's initiative to improve public transport services and contribute towards the national efforts in the reduction of carbon emission for a friendlier transport sector, import duty has been increased on the importation of petrol/diesel passenger motor vehicles into Fiji.

In addition, the import excise regime has been restructured whereby import excise on vehicles with engine capacity not exceeding 3000cc and less has been reduced from 15% to 5% while a 10% ECAL (Environmental Climate Adaptation Levy) has been introduced. The tax burden shall remain the same. ECAL shall be collected at the time of importation on the customs entry and the effective date shall be announced later by the Government.

Similarly, there has been an increase in the import duty rates for hybrid motor vehicles along with the imposition of ECAL at a rate of 10%. This will be collected at the time of importation. The age criteria for the importation of used hybrid vehicles has been reduced from 8 years to 5 years or less and EURO 4 compliant.

Public Transport

The duty concession regime for approved taxi operators on the importation and purchase ex-bonded warehouse of motor vehicles has been extended for another two years. Similarly, the duty concession regime for inter-island companies on the importation of new and used vessels has also been extended for another 2 years.

To allow for newer and safer public transport, duty has been reduced on the importation of new and used buses. The fiscal duty and import excise for new and used buses (carrying not less than 16 persons including the driver) will be reduced as follows:

New Buses – free fiscal, free import excise and 9% VAT
Used Buses – 5% fiscal, free import excise and 9% VAT
The age criteria has been waived however the vehicle must meet Euro 4 standards.

This is further supported by the reduction in the duty rates for bicycle and motor bike tyres from 5% fiscal to free fiscal duty.

Additionally, new vehicles which run on diesel fuel and are not Euro 4 standardized vehicles must now be Euro 4 compliant. A new vehicle paid for on or before 7 June 2019 may still be imported provided that the importer proves to the Comptroller that the new vehicle was paid for on or before 7 June 2019.

Tax incentive for waste management at Naboro Tax Free Zone

To promote safer and environmentally friendlier waste management initiatives, the following incentives will be granted to companies engaged in waste management business in Naboro:

Income tax exemption based on the following capital investment levels:

Capital Investment ($)	Tax Holiday
$250,000 - $1,000,000	5 Years
$1,000,000 - $2,000,000	7 Years
More than $2,000,000	13 Years

Import duty exemption on raw materials, plant, machinery and equipment (including spare parts) required for the establishment of the business.

Incentives for construction of warehouses or similar investments
Through this incentive the Government is encouraging investment in the business of warehousing and storage facilities given the increasing business needs. Storage facilities requires significant set up and operation costs. Therefore, the following incentive packages will be granted to companies investing in warehouses and storage facilities.
Incentive Package 1: Companies engaging in warehousing business.
Income tax exemption based on the following capital investment levels:

Capital Investment ($)	Tax Holiday
$250,000 - $1,000,000	5 Years
$1,000,000 - $2,000,000	7 Years
More than $2,000,000	13 Years

Import duty exemption on raw materials, plant, machinery and equipment (including spare parts) required for the establishment of the business.

Incentive Package 2: A new or existing company engaging/ engaged in any business; invests in warehouses will be eligible for 50% investment allowance for capital investment more than $1 million and 100% investment allowance for capital investment more than $2 million.

ICT Incentives
To make the existing ICT incentives more encompassing and stimulate investment in the sector, Government will provide a number of incentives to those who will invest in these sectors.

The ICT Incentive (13-year tax holiday) is available under the Income Tax (Exempt Income Incentives) Regulations 2016.

To promote investments in the ICT sector, the conditions of employing a minimum of 50 employees and exporting 60% of the services to qualify for the ICT incentive will be removed.
The annual license fee of $1,000 will also be removed.

More details on incentives and tax measures will continue next week. For more information please email us on info@frcs.org.fj