

2011 BUDGET REVENUE POLICIES – TAX AND CUSTOMS

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2011 BUDGET SUMMARY OF REVENUE POLICIES

INCOME TAX ACT (ITA)

◆ Export Income Deduction incentive to be extended to 2015

- The Export Income Deduction incentive will be extended to 2015. It will gradually be phased out as follows:

Year of Assessment	Percentage of export income to be deducted
2011	50%
2012	40%
2013	30%
2014	20%
2015	10%

The Export Income Deduction will be phased out in 2016.

◆ Amendments to the Eleventh Schedule

- The 11th Schedule to the Income Tax Act will be amended to remove the need for investors to provide certified approved plan to obtain provisional approval for the investment allowance. Sketch plan will suffice.
- Amendments will also require recipients of the provisional approval for Standard Allowance and Short life Investment Package to commence implementation of projects within one year.
- Tourist Vessels that provide accommodation for more than 3 nights will be able to claim refurbishment and repair expenses just like hotels.

◆ Employment Taxation Scheme

- The 150% tax deduction under the Employment Taxation Scheme to be extended to 31 December, 2012, under Section 21(1)(r) of ITA.

◆ Accelerated Depreciation

- Accelerated depreciation available to buildings will be extended to 2012.
- This will also be available to new plants and machineries used for manufacturing purposes.

2011 BUDGET REVENUE POLICIES – TAX AND CUSTOMS

◆ *Tax Deduction on Marketing Costs for exports to South Pacific Islands*

- ITA to be amended to provide 150% deduction for marketing costs of up to \$250,000. This is only for South Pacific Islands, excluding Australia and New Zealand.

◆ *Review Sixth Schedule to the ITA*

- The sixth schedule has been reviewed to make the Audio Visual sector more attractive to investors.

The Major changes to the 6th Schedule:-

- ♣ Fiji Production Companies that are 100% owned by Fiji residents and registered in the Fiji Islands to raise funds through the F1/F2 incentive;
- ♣ 100% of the profits or revenues to be paid to any Fiji investors in the production must pass through an approved Fiji Islands bank account prior to disbursement and the Commissioner must be provided with half yearly statements of income and disbursement;
- ♣ Applications for audio visual operating licence by resident individuals must show that the resident individual has net annual audio-visual earnings in excess of \$50,000 and assets held in the studio city zone in excess of \$100,000 in either real estate, tangible business assets including but not limited to stock, plant and equipment and tools of trade, or other valuable and confirmable assets excluding cash and other liquid assets;
- ♣ The minimum threshold requirement for qualifying for rebate is \$250,000 for feature films and \$50,000 for television commercials;
 - Approved post-production expenditure on the film paid from a Fiji bank account to the extent that it is incurred or reasonably attributable to approved post-production services in relation to the completing of the film made in the Fiji Islands. The maximum amount payable as rebate under this expenditure item shall be \$75,000 for each qualifying AVP.

TAX ADMINISTRATION DECREE (TAD)

◆ *Notice of objection process streamlined*

- Section 16 of the TAD to be amended to allow objection notice to be signed by both the taxpayer and tax agent.

◆ *Simplification of Administrative Summons provisions in the TAD*

- Section 36(3) of TAD to be amended to allow the service of documents by registered post as well.

◆ *Clarification of Late Lodgment penalty provision in the TAD*

- Section 43 of TAD to be amended to clarify “tax outstanding” and “any other case”.

◆ *Simplification of Penalty provisions in the TAD*

- Sections 45 and 46 of the TAD to be amended clarify and define:
 - “tax outstanding”; and
 - “tax payable”.

2011 BUDGET REVENUE POLICIES – TAX AND CUSTOMS

◆ Clarification of Due dates for documents and payments in TAD

- Section 74 of the TAD will be amended to clarify that if due date falls on weekends and public holidays, then the due date should be the last working day of the month.

◆ Tax Identification Number (TIN)

- TAD will be amended:
 - to extend the requirement for existing Bank Account Holders to provide TIN to Banks by 31 March, 2011; and
 - to provide exemption for Micro Finance Projects.

VALUE ADDED TAX DECREE

◆ Value Added Tax

- VAT rate will increase from 12.5% to 15%. This will come into effect on 1 January, 2011.

◆ Tourist VAT Refund Scheme (TVRS) incentive to be made more attractive

- The VAT Decree will be amended to allow tourists to claim refunds for shopping in any number of days. 'One day' will be deleted and replaced with 'many days'.

◆ VAT exemption status to be provided to Fishing Industry

- The VAT Decree will be amended to exempt the supply of fish by foreign and local fishing vessels to local fish processors.
- A levy of \$350 per tonne will be imposed on Fish that is off-loaded for transshipment, without any value adding.

CUSTOMS TARIFF ACT (CTA)

Table 1: 2011 Fiscal Duty Changes

POLICY	DESCRIPTION
1. Fresh and chilled Vegetables	♣ Increase fiscal duty from 15% to 32%
2. Fruit Juices	♣ Increase fiscal Duty from 15% to 32%
3. Cigarettes, tobacco and alcohol	♣ Increase fiscal duty by 3%
4. PVC pipes, tubes and hoses	♣ Increase fiscal duty from 15% to 32%
5. Lighters	♣ Increase fiscal duty on lighters from \$1 to \$5 specific rate ♣ For blank disposable lighters, the 15% fiscal duty rate remains
6. Cables	♣ Increase fiscal duty from 15% to 32%

2011 BUDGET REVENUE POLICIES – TAX AND CUSTOMS

POLICY	DESCRIPTION
7. Mops	♣ Increase fiscal duty from 5% to 32%
8. Used or re-conditioned heavy machinery	♣ Fiscal duty to be reduced from 32% to 15%
9. Smart Phones (High end mobile phones)	♣ Fiscal duty to be reduced from 32% to 5%
10. Golf cars	♣ Solar powered golf cars to be reduced from 32% to 0% ♣ Others to be reduced from 32% to 5%
11. New Passenger motor vehicles not exceeding 2500cc	♣ Fiscal duty to be reduced from 32% to 15%

Table 2: 2011 Import Excise Changes

POLICY	DESCRIPTION
1. Fresh and chilled Vegetables	♣ Impose 10% Import Excise
2. Snacks and confectioneries.	♣ Impose 15% import excise
3. Waters, including natural or artificial mineral water and aerated waters.	♣ Increase import excise from 10% to 15%.
4. Fluorescent tubes and bulbs	♣ Impose 15% import excise

Table 3: 2011 Local Excise Changes

POLICY	DESCRIPTION
1. Cigarettes, tobacco and alcohol	♣ Increase local excise by 3%

Table 4: 2011 Excise Rates

DESCRIPTION	2010 RATES	2011 RATES
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or less	\$1.35	\$1.39
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or more	\$1.57	\$1.62
Potable Spirit Not Exceeding 57.12 GL	\$29.65	\$30.54
Potable Spirit Exceeding 57.12 GL	\$51.93	\$53.49
Wine:		
Still	\$2.10 / Litre	\$2.16 / Litre
Sparkling	\$2.39 / Litre	\$2.46 / Litre
Other fermented beverages:		
Still	\$2.10 / Litre	\$2.16 / Litre
Sparkling	\$2.39 / Litre	\$2.46 / Litre
Ready to Drink Mixtures of Any Alcoholic Beverages of any Alcoholic Strength by volume of 11.49% or less	\$0.97 / Litre	\$1.00 / Litre

2011 BUDGET REVENUE POLICIES – TAX AND CUSTOMS

Cigarettes from local tobacco per 10 sticks	91.13cents	93.86cents
Cigarette from imported tobacco per 10 sticks	136.71cents	140.81cents
Manufactured tobacco containing tobacco grown outside Fiji	\$78.77 / kg	\$81.13 / kg
Manufactured tobacco containing tobacco grown in Fiji	\$46.27 / kg	\$47.66
Manufactured tobacco containing tobacco grown in foreign and tobacco grown in Fiji:		
Foreign portion	\$78.77 /kg	\$81.13 / kg
Local portion	\$46.27 / kg	\$47.66 / kg

Table 5: Amendments to Part II of the Customs Tariff Act

POLICY	DESCRIPTION
1. Wedding apparel	♣ Importation of wedding apparel by tourists/foreign couples coming to get married in Fiji, to be duty and VAT free.
2. Biodegradable plastics	<ul style="list-style-type: none"> ♣ Imports of non-biodegradable plastics to be banned ♣ Local manufactures of non-bio degradable plastics to be given 6 months to adjust production ♣ Removal of Code 124(iv)

Table 6: Amendments to Part III of the Customs Tariff Act

POLICY	DESCRIPTION
1. Delete the expression “234” and substitute “240” in Note 9 of part 3 of the tariff.	♣ Regularize amendment - Concession codes in part 3 of the tariff schedule has been extended to code 240
2. Duty Free passenger allowance to be increased	<ul style="list-style-type: none"> ♣ (i) Increased from \$400 to \$1000 ♣ (i) Passengers are not required to get the services of Customs Agents for clearance of personal importations
3. Delete the expression “water-Jet Ski” under concession code 235(ii)	♣ Jet Skis are granted concessionary rate of 5% Fiscal Duty under Section 10 approval. Under code 235(ii) same item attracts 10% Fiscal, hence the amendment will streamline the anomaly
4. Duty Suspension Scheme (DSS)	<ul style="list-style-type: none"> ♣ Zero fiscal duty on New Machinery and Equipment directly related to the production process under DSS ♣ VAT is still payable

Table 7: Amendments to Notes of Part II & Part III of the Customs Tariff Act

POLICY	DESCRIPTION
1. Part 2 & 3 of the Customs Tariff to be strengthened with additional note(s) such as: “Concession to be claimed at the time of	♣ Concessions to be claimed only at the time of importation.

2011 BUDGET REVENUE POLICIES – TAX AND CUSTOMS

POLICY	DESCRIPTION
importation or cleared ex bonded warehouse.”	

OTHER CUSTOMS CHANGES

Table 8: Other Customs Changes

POLICY	DESCRIPTION
1. Age restriction to be extended	<ul style="list-style-type: none"> ♣ Age of LPG, CNG and Solar vehicles to be extended to 8 years ♣ Specialized vehicles for Mining, Agriculture and Road Construction and Maintenance to be extended to 8 years.
2. Age of vehicles	♣ Delete the word ‘date of manufacture’ and insert ‘year of manufacture’ under item 5 to Schedule 3 of the Customs Prohibited (Imports and Exports) Regulations 1986
3. Privileged goods (plants & machinery) imported for special projects	<ul style="list-style-type: none"> ♣ 3 months to be extended to 12 months ♣ 12 months to be extended as approved by the Comptroller
4. Amendment to Regulation 8 of the Customs Regulations	<ul style="list-style-type: none"> ♣ Increase from \$200 to \$400 – Aircrafts ♣ Increase from \$200 to \$1500 – Private Aircrafts
5. Delete tariff item 6813.89.00 and substitute it with sub-heading 6813.89.	♣ typographical error to be rectified

CHANGES TO SECTION 10 CONCESSIONS

Table 9: Section 10 Changes

POLICY	DESCRIPTION
1. FEA Concession	❖ Removal of FEA concession
2. Bus fuel concession	❖ Bus fuel concession to be reduced from 18 cents to 15 cents
3. Bus concession on chassis	❖ The sellers of chassis must attach Customs entry and invoices with other documents to show the landed price for the purposes of effective administration of this concession.
4. Plastic Crates used in the agriculture sector	❖ Reduce fiscal duty on plastic crates from 15% to 0%
5. Canned Fish	❖ Increase fiscal duty from 0% to 15%
6. ICT Incentives	❖ Free Fiscal Duty and Import Excise applicable on computers, computer parts and accessories, specialized plant, equipment and fittings, and specialized furniture to ICT/BOP Business Operators (Approved Companies)

2011 BUDGET REVENUE POLICIES – TAX AND CUSTOMS

POLICY	DESCRIPTION
7. Desalination and Sewerage Treatment Plants	<ul style="list-style-type: none"> ❖ Reduce fiscal duty from 5% to 0% ❖ This will be available to everyone including those in the outer islands.

WATER RESOURCE TAX PROMULGATION

Table 10: Changes to Water Resource Tax Promulgation

POLICY	DESCRIPTION							
1. Water Tax rates to be restructured	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Litres extracted monthly</th> <th style="text-align: center;">Rate (Cents per litre)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">0 – 3,499,999</td> <td style="text-align: center;">0.11</td> </tr> <tr> <td style="text-align: center;">3,500,000 and above</td> <td style="text-align: center;">15.0</td> </tr> </tbody> </table>		Litres extracted monthly	Rate (Cents per litre)	0 – 3,499,999	0.11	3,500,000 and above	15.0
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0 – 3,499,999	0.11							
3,500,000 and above	15.0							

OTHER NEW MEASURES

◆ **Administration of Airport Departure Tax Act**

- FIRCA will administer the Airport Departure Act from 1 January, 2011. With this new change, Airlines and travel agents must ensure that airport departure tax is remitted to FIRCA within two weeks of issuing tickets to international traveler.

◆ **Capital Gains Tax**

- A Capital Gains Tax will be introduced in 2011. This will come into effect from 1 March, 2011. The Capital Gains Tax will be at the rate of 10%.
- Land Sales Tax will be repealed.

◆ **Administration of Stamp Duty Act**

- FIRCA will administer the Stamp Duty Act with effect from 1 April, 2011.

◆ **Self-Assessment (PAYE)**

- Self Assessment (PAYE as a final tax) will be implemented on 1 January, 2012.

◆ **Presumptive Tax**

- A special tax regime for small business operators will be implemented on 1 January 2013.

2011 BUDGET REVENUE POLICIES – TAX AND CUSTOMS

◆ Home Stays

- A separate Tax Regime will be developed by FIRCA to capture home stays activities. This will ensure that appropriate taxes are paid by persons engaged in this type of activities.

END

**For avoidance of doubt, please refer to the 2011 Budget Supplement*