PRACTICE
STATEMENT No. 60/2017
Issued: 10/11/2017

SUBJECT	Fiji Revenue and Customs Service Environment and Climate Adaptation Levy (ECAL) on Imported Goods
DATE OF EFFECT	1 August 2017
CONFIDENTIALITY STATUS	May be released to the public
LEGISLATIVE REFERENCE	Environment and Climate Adaptation Levy Act 2015 Schedule 2, Part 3 to the Customs Tariff Act 1986 Tax Administration Act , 2009
PRACTICE COORDINATOR	Deputy Director Revenue Management

INDEX

INTRODUCTION

1. The purpose of this Practice Statement is to provide guidance on the application of the Environment and Climate Adaptation Levy (ECAL) on prescribed imported goods. It is issued with the authority of the Chief Executive Officer (CEO) of the Fiji Revenue and Customs Service who is also the Comptroller of Customs.

2. With effect from 1 August 2017, the 10% ECAL applies on the value for duty (VFD) of an imported luxury vehicle with an engine capacity exceeding 3000cc, imported or purchased ex-bond (i.e. held in a bonded warehouse).

3. VFD is calculated on the cost, insurance and freight (CIF) and any other incidental charges for the delivery of goods to the port of destination.

4. ECAL on imported vehicles is payable by the importer and will be collected in the same manner as for customs duty.

5. ECAL collected will go towards the ECAL Fund which has been set up to fund projects and activities associated with climate change. The Fund is administered by the Ministry of Economy.

LEGISLATIVE BASIS

6. ECAL on prescribed imported goods and related provisions are set out in Part 3 Division 2 (Sections 8 and – 9) of the *Environment and Climate Adaptation Levy Act 2015* (ECAL Act).

7. Section 8 (1) states that the ECAL shall be charged on imported goods prescribed in Schedule 2 at the rate of 10% of the value of the goods.

8. Section 8 (2) provides that exemptions may apply and the Minister can, under Section 8 (5) amend the list of imported goods and the limitations or exemptions.

9. Section 8 (3) states that the ECAL is payable by the importer, however it is collected at the point of importation or where applicable purchased ex bond, together with other import taxes.

10. Section 8 (4) provides that the ECAL amount must be shown separately on any document issued for the payment of any imported good.

11. Section 9 provides that ECAL on imported vehicles will be collected in the same manner as for customs duty.

APPLICATION

12. With effect from 1 August 2017, importers are required to pay 10% ECAL upon importation of a new or re-conditioned/second hand luxury vehicle with engine capacity exceeding 3000cc.

Example 1

Yco is a car dealer. Yco imports a BMW with an engine capacity of 3500 cc for the purpose of re-sale in August 2017. The cost of the luxury vehicle including insurance and freight (CIF) in Fiji is $100,000 FJD. The ECAL is $10,000 ($100,000 x 10%).

The ECAL and other taxes payable by Yco are calculated as follows.

Particulars	**Amount (FJD)**	**Explanatory Notes**
Value of vehicle = Value for Duty (VFD)	$ 100,000	Cost of the vehicle including freight and insurance in Fijian dollars.
Add: Fiscal Duty @ 32%	$32,000	$100,000 x 32%.
Add: Import Excise @ 15%	$15,000	$100,000 x 15%.
Value for VAT (VFV)	$147,000	Total value of vehicle (CIF) including fiscal duty and import excise.
Add: VAT @ 9 %	$13,230	$147,000 x 9%
Total	$160,230	Value of the vehicle including import duty and VAT.
Add: Luxury Vehicle Levy (LVL)	$20,000	The LVL depends on the engine capacity. Engine Capacity: LVL 2500 – 3000 cc: $7,500 Above 3000cc: $20,000 A Luxury BMW has an engine capacity of 3500 cc, which means that the LVL is $20,000.
Add: ECAL @ 10%	$10,000	Amount of ECAL at the rate of 10% applied on the amount of CIF. ($100,000 x 10%)

Total taxes	$90,230	Fiscal duty $32,000 + Import Duty $15,000 + Import VAT $13230 + LVL $20,000 + ECAL $10,000
Total Value of Vehicle	$190,230	Total value of the vehicle is CIF + fiscal duty + import excise + VAT + LVL + ECAL

13. The ECAL will not apply on the following imported vehicles for which the Minister has granted exemption:
    (a) vehicles used for public transportation;
    (b) vehicles that use liquid petroleum gas, compressed natural gas;
    (c) solar vehicles;
    (d) electric vehicles; and
    (e) vehicles imported under the following Concession Codes – Concession Codes 201A, 203, 204, 205, 206, 220 column 2(iii) and 287 of Schedule 2, Part 3 to the Customs Tariff Act 1986; provided they are not sold or disposed of within 5 years.

14. The limitations or exemptions that apply to the goods may be amended by the Minister by notice in the Gazette.

15. Where an importer is granted import concession and sells or transfers a vehicle to another person, before the expiry of the concession period, (except when the person is entitled to exemption under the above mentioned concession codes) , the importer will be required to pay the ECAL on a pro-rata basis.

Example 2

AB imports a vehicle in January 2018 for personal use.

AB qualifies for exemption under Code 220 (2) (iii) as he is a returning resident. The vehicle was exempt from ECAL.

Total period to qualify for full concession is 60 months (5 years x 12 months)

He sells the vehicle in January 2021. This means that:

- *the used period = 36 months (3 years x 12 months); and*
- *the unused period = 24 months (2 years x 12 months)*

<u>Calculation of ECAL payable</u>

Step 1 : Calculate Reduced Value for Duty

Reduced Value for Duty = $100,000 x unused period/total period
= $100,000 x 24 months/60 months

= $100,000 x 24/60 or 2/5
= $40,000

Step 2 : Calculate ECAL payable
ECAL payable = $40,000 x 10%
= $4,000

PROCESS

16. The importer or agent makes the customs entry by lodging the Single Administrative Document (SAD) into the ASYCUDA World System.

17. When an entry is lodged, a Customs reference number is generated.

18. The importer/agent pays the ECAL and other taxes/duties.

19. The System generates the release notice after payment is receipted.

20. The System automatically assigns the assessment officers for processing of declarations. The agent /importer will be notified of any discrepancies.

21. For enquiries , please contact any of our Customer Enquiry Centers or email to: info@frcs.org.fj

ATTACHMENT 1

Extract from the Environment and Climate Adaptation Levy Act 2015

"PART 3 – IMPOSITION OF ENVIRONMENT AND CLIMATE ADAPTATION LEVY ON PRESCRIBED ITEMS

Division 2 – Imposition of Environment and Climate Adaptation Levy on imported goods

Imposition of Environment and Climate Adaptation Levy on imported goods

8.—(1) An Environment and Climate Adaptation Levy shall be charged on imported goods prescribed in Schedule 2 at the rate of 10% of the value of the goods.

(2) The application of the Environment and Climate Adaptation Levy on imported goods may be limited by exemptions prescribed in Schedule 2.

(3) The Environment and Climate Adaptation Levy on imported goods is payable by the importer.

(4) The levy imposed under subsection (1) shall—

(a) not be subject to the Value Added Tax imposed under the Value Added Tax Act 1991; and

(b) be clearly and separately shown on a tax invoice, invoice, receipt or any document issued for the payment of any imported good.

(5) The Minister may by notice in the Gazette amend the list of imported goods prescribed in Schedule 2 and the limitations or exemptions that apply to the goods.

Collection of Environment and Climate Adaptation Levy for imported goods

9. The Environment and Climate Adaptation Levy payable under this Division shall be collected by the Fiji Revenue and Customs Authority in conjunction with the collection of duty under the Customs Act 1986."

ATTACHMENT 2

SCHEDULE 2

(Section 8)

IMPORTED GOODS

Imported goods	Conditions or exemptions (if any)
New or re-conditioned luxury vehicles with engine capacity exceeding 3000cc	Exemptions and conditions: Vehicles used for public transportation, liquid petroleum gas, compressed natural gas, solar vehicles, electric vehicles, and vehicles procured by anyone under concession codes 201A, 203, 204, 205, 206, 220 column 2(iii) and 287 of Schedule 2, Part 3 to the Customs Tariff Act 1986 provided that any person or body exempted from paying the Environment and Climate Adaptation Levy under the above concession codes who at any time within 5 years from the date of importation or delivery from the warehouse of such vehicles, sells or disposes such vehicles to any non-entitled persons or bodies other than those specified under the above concession codes, shall be liable to pay the Environment and Climate Adaptation Levy on a pro-rata basis for the unused period of the vehicle."

=========End of Practice Statement=========