



Tax Talk -Agriculture Incentives

Government has confidence in the agriculture sector and has laid a long term plan where we will have large commercial farms, taking Fiji into a new agriculture era. The Tax Incentive is part of Government's modernization of the agriculture sector aimed to make it more productive for the nation's needs and ensuring that we become self-sufficient.

These tax incentives will assist Commercial and Agro farming owners to introduce new agricultural methods, new technology, new crops, and improve animal husbandry.

The incentives comprise of Commercial Agriculture and Agro-Processing, Small Micro Enterprises (SME's) and Bio-Fuel Production. Apart from being tax free, most items for agricultural purposes are duty free on importation and some are granted duty free concessions on application.

There are various types of tax incentives currently available for businesses engaging in the agricultural sector. It comprises of Commercial Agriculture and Agro-Processing, Small Micro Enterprises (SME's) and Bio-Fuel Production Incentives.

Apart from being tax free, all items for agricultural purposes are granted duty free concessions. These includes specialized machinery, equipment and agricultural inputs and are considered for duty free concessions upon a support letter from the Ministry of Agriculture.

However, the respective tax incentive is subject to specific conditions.

For Commercial Agriculture and Agro-Processing Tax Incentive the income of the taxpayer shall be exempt only if the activity is a new activity approved by Revenue and Customs and established from January 1, 2015 to December 31, 2018.

The investment threshold and income tax holiday is as follows:

(1) **Commercial Agriculture and Agro-Processing Tax Incentive** – the income of the taxpayer shall be exempt only if the activity is a new activity approved by Revenue and Customs and established from 1st January 2015 to 31st December 2028. The investment threshold and income tax holiday is as follows:

Capital Investment	Income Tax Holiday/Exemption
\$250,000 to \$1,000,000	for a period of 5 consecutive fiscal/tax years
\$1,000,001 to \$2,000,000	for a period of 7 consecutive fiscal/tax years
\$2,000,001 or more	for a period of 13 consecutive fiscal/tax years

(2) For **SME's**, the income shall be exempt from tax only if the annual gross turnover or sales not exceeding \$500,000 and include activities of the following sectors only:

- Agriculture and Fishing (Agriculture will cover activities in the entire agriculture sector).
- Tourism (Sea Cruise and River Tour Operators).
- Community and Social Services (Amusement, recreation services; traditional handicraft producers (not “middleman” or agents).
- Supportive projects to tourism industry (flora, fauna and other natural characteristics of Fiji; and history, traditions, cultures and ways of life of its peoples).

(3) For **Bio – Fuel Production** - the income of the taxpayer shall be exempt for a period of 10 consecutive fiscal/tax years only if the applicant engages in a new activity in processing agricultural commodities into bio-fuels and is approved by Revenue and Customs and established from 1st January 2009 to 31st December 2028. To qualify, the taxpayer must have a minimum capital investment of \$1,000,000 and employ 20 or more local employees in each of the 10 years.

Duty free on importation of agricultural items

There are duty exemptions available on the importation of plant, machinery and equipment for initial establishment of the factory, chemical required for bio-fuel production and all agricultural items.

However, 9% import VAT will still apply on importation of these items which would be refunded to those that register for VAT purpose.

For Commercial Agriculture and Agro-Processing and Bio – Fuel Production incentives, the investor will have to make an application to Revenue and Customs to qualify for the incentive.

The application should include a comprehensive background of the project such as the director and shareholder details, statement of assets and liabilities, location and description of the site of the project, details of the business activities, sketch plan of the project, costing and financing details, completion dates, employment details, etc.

For the SME incentive, the investor can claim for the exemption in the income tax return for a fiscal/tax year.

Duty concession on the importation of capitals for Agriculture purposes

There are duty exemptions available on the importation of plant, machinery and equipment for initial establishment of the factory, chemical required for bio-fuel production and all agricultural items. However, 9% import VAT will still apply on importation of these items which would be refunded to those that register for VAT purpose.

How to apply for these agricultural tax incentives?

For Commercial Agriculture and Agro-Processing and Bio – Fuel Production incentives, the investor will have to make an application to the Revenue and Customs to qualify for the incentive. The application should include a comprehensive background of the project such as the director and shareholder details, statement of assets and liabilities, location and description of the site of the project, details of the business activities, sketch plan of the project, costing and financing details, completion dates, employment details, etc. For the SME incentive, the investor can claim for the exemption in the income tax return for a fiscal/tax year.

Incentives on stamp duty for Small & Micro Enterprises (SME's)

Small & Micro Enterprises under Stamp Duties Act includes any business with an annual gross turnover or sales not exceeding \$500,000 therefore all those engaging in agricultural activities can qualify for this stamp duty waiver.

However, they must be a registered business with a business license, be tax and customs compliant and will be required to provide a Statutory Declaration confirming that they have a gross turnover not exceeding \$ 500,000. Copies of financial statements must be attached where applicable. The policy intention for this incentive is to assist the SME's. Post assessment audits will be conducted to verify declarations. Severe penalties will be imposed where taxpayers make false declarations or scheme to evade this tax.