



## **Tax Talk- 2019/2020 National Budget Revenue Policies**

In our article last week, we highlighted the incentives and tax measures announced in the 2019/2020 national budget. Issues such as export income deduction, 100% tax deduction on FNPF contributions, increase of Film Tax rebate from 47% to 75%, residential housing development package, development of housing for public rental, losses carried forward, concession to public transport, tax incentive for waste management at Naboro Tax Free Region, Incentives for construction of warehouses or similar investments and incentives to the ICT sector.

This week we will look at some of the new tax and customs incentives announced in the national budget.

### **Tax incentive for retirement villages and aged care facilities**

A new incentive package will be available to investments in retirement villages and aged care facilities. The following incentives will be available:

Income tax exemption based on the following capital investment levels:

<b>Capital Investment (\$)</b>	<b>Tax Holiday</b>
\$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 for pharmaceutical manufacturing.**

To promote investment in the pharmaceutical manufacturing sector, the following incentive will be granted to businesses investing in pharmaceutical manufacturing:

Income tax exemption based on the following capital investment levels:

<b>Capital Investment (\$)</b>	<b>Tax Holiday</b>
\$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.

This incentive will also be available to any existing business in the pharmaceutical manufacturing sector and the tax holiday will start from the date approval will be granted.

In addition to the Income tax exemptions and concessionary duty, the fiscal duty on importation of Ethanol by manufacturers of pharmaceutical supplies has been reduced to zero.

**Hotel Investment Incentives**

The current duty exemption available under the Short Life Investment Package (SLIP) incentive on the importation of capital equipment, plant and machinery will be extended to include building materials, furnishings & fittings, equipment, room amenities, kitchen and dining room equipment & utensils, and specialized water sports equipment. The approved goods will attract 0% fiscal duty, 0% import excise and 9% VAT

For existing hotels, fiscal duty on these items will be reduced to 5% for items having a fiscal duty of 10% and above and for all items having fiscal duty of 5% will be reduced to 3%.

**Stamp duty exemption on offshore borrowing**

Stamp duties levied at the rate of 1.75% on all offshore borrowings has been removed with the requirement that funds are brought into Fiji.

**Environmental and Climate Adaptation Levy on Motor Vehicles**

To support governments environment protection programs, a 10% ECAL will be imposed on passenger motor vehicles.

ECAL Structure on Hybrid Vehicles:

Cylinder Capacity (New or Used)	ECAL
Less than 1,500 cc	10 %
	10%
1,500 cc to 2,500 cc	10%
	10%
2,500 cc to 3,000 cc	10%
	10%
exceeding 3,000 cc	No additional ECAL (10% ECAL already in place)

**ECAL Structure on Non Hybrid Vehicles:**

Cylinder Capacity (New or Used)	ECAL
Less than 1,000 cc	10%
1,000 cc to 1,500 cc	10%
1,500 cc to 2,500 cc	10%
2,500 cc to 3,000 cc	10%
exceeding 3,000 cc	No additional ECAL (10% ECAL already in place)

### Plastic Levy

Plastic levy will be increased from 20 cents to 50 cents on Low Density Polyethylene (LDPE) plastic bags effective from 1 January 2020.

### ECAL on White Goods

A 10% ECAL will be levied on the import of the following goods:

Smart phones	Freezers/Refrigerator	Washing Machines	Dishwashers	Microwaves	Toasters
Air conditioners	Television	Dryers	Electric stoves	Electric Lawn mowers	Electric Jugs

The effective date shall be announced later following the parliamentary debate.

### Increase fiscal duty on passenger motor vehicles

To support governments environment conservation programs, import duty on passenger motor vehicles will be increased with the following new rates.

### Tariff Structure on Hybrid Vehicles

Cylinder Capacity	Description	Current Fiscal Duty	New Duty Rates
Less than 1,500 cc	New	Free	Free
	Used	\$2,000 per unit	\$4,000 per unit
1,500 cc to 2,500 cc	New	Free	Free
	Used	\$2,500 per unit	\$5,000 per unit
2,500 cc to 3,000 cc	New	Free	Free
	Used	\$3,000 per unit	\$6,000 per unit
exceeding 3,000 cc	New	Free	Free
	Used	\$6,500 per unit	\$13,000 per unit

### Tariff Structure on Non-Hybrid Vehicles

Cylinder Capacity	Description	Current Fiscal Duty	New Specific Duty
Less than 1,000 cc	New	5%	15%
	Used	32% or \$3,550 per unit	32% or \$7,000 per unit
1,000 cc to 1,500 cc	New	5%	15%
	Used	32% or \$7,500 per unit	32% or \$11,500 per unit
1,500 cc to 2,500 cc	New	5%	15%
	Used	32% or \$11,500 per unit	32% or \$16,000 per unit
2,500 cc to 3,000 cc	New	32%	32%
	Used	32% or \$18,000 per unit	32% or \$23,000 per unit
exceeding 3,000 cc	New	32%	32%
	Used	32% or \$23,000 per unit	32% or \$28,500 per unit

### Reduction of import excise on heavy machinery and special purpose motor vehicles

Given the increased civil and road construction work, import duty on heavy machinery is reduced by 5% percentage points.

Items include ship derricks and cranes, fork-lift trucks, work trucks, bulldozers graders, levellers, excavators, shovel loaders, road rollers and scrapers. The details are provided below:

<b>Description</b>	<b>Current Fiscal Duty</b>	<b>Current Import Excise</b>	<b>New Fiscal Duty</b>	<b>New Import Excise</b>
New	5%	5%	5%	Free
Used	15%	Free	5%	5%

#### **Reduction in import excise on vehicles used for transporting of goods**

Fiscal duty on trucks used for the transport and delivery of the goods has been reduced to assist businesses in the agriculture, wholesale and retail sectors. The new trucks will now attract a fiscal duty rate of 5% whereas the used trucks will attract a duty rate of 5% fiscal and 5% import excise. This change excludes dual purpose vehicles such as the twin cabs etc.

#### **New readymade clothing for children**

To make children's garments more affordable, fiscal duty on new readymade clothing for children will be reduced from 32% to 5%. The reduced rate will be based on global sizes in children's category.

#### **Steel pipes and tubes**

Fiscal duty on steel pipes, galvanized pipes, stainless steel pipes and rectangular tubing not manufactured in Fiji will be granted a concessionary duty rate of 5%.

#### **Cane Knives**

To assist farmers, the fiscal duty on cane knives will be reduced from 5% to 0%

#### **Batteries for electronic items**

Fiscal duty on batteries for laptop, tablets, cellular mobile phone and power banks will be reduced from 32% to 5%.

#### **Non-Woven Plastic Bags**

To promote local manufacturing, the Fiscal duty on non-woven plastic bags will be increased from 15% to 32%.

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