



2020/2021 National Budget Revenue Policies

The revenue policies announced in the 2020/2021 National Budget on Friday 17th July 2020 focuses on stimulating businesses and reviving overall economic activity in Fiji following the impact from COVID-19 global pandemic. These policies focuses on reduction in taxes and customs tariffs to support economic recovery, assisting business sustainability through tax relief, providing flexible payment arrangements and targeted tax incentives and ensuring simple, streamlined taxation and customs administrative processes to help improve ease of doing business in Fiji. Major reform in customs tariff is expected to see a decrease in prices of consumer goods, household items, motor vehicles, food and other items.

In this week's Tax Talk, we will look at some of the revenue measures announced in the 2020/2021 National Budget.

Stamp Duty Act Repealed

Effective from 1st August 2020, the Stamp Duty Act 1920 will be repealed. Stamp duty is currently levied at a rate of 1.75% for resident taxpayers and 5% for foreign taxpayers of the loaned amount. Repealing of the Act means that there will be no stamp duty levied on a number of legal documents (instruments) such as transfer of property, mortgage, policy of assurance or insurance, transfer for motor vehicle, cheques, policy of life assurance or insurance, bill of sale, agreement or memorandum, transfer of share or stock, loan agreement (personal loan exceeding \$10,000), debenture or debenture stock etc. This will result in making transactions faster and cheaper for everyone.

The largest savings of the tax reforms is being targeted at tourism with 11 percentage point tax reduction (removal of 6% Service Turnover Tax (STT) and reduction of Environment and Climate Adaptation Levy (ECAL) from 10% to 5%) from the existing 25% which includes 6% STT, 10% ECAL and 9% VAT (Value Added Tax). Some of the major tax reforms announced in the Budget includes:

Removal of the Service Turnover Tax (STT)

The 6% Service Turnover Tax (STT) on all prescribed services has been removed. This will come into effect from 1st August 2020.

Environment and Climate Adaptation Levy (ECAL)

The Environment and Climate Adaptation Levy (ECAL) on prescribed services has been reduced from 10% to 5% across the board. The threshold to register for ECAL prescribed services has increased from \$1.25 million to \$3 million annually. The increased threshold is expected to reduce the ECAL rate for the mid-sized tourism operators and other businesses like restaurants, rental car companies and cafes etc., to zero. This comes into effect from 1st August 2020.

In the 2020/2021 Budget, ECAL on the chargeable income of more than FJ \$270,000 has also reduced from 10% to 5%. The new ECAL structure on income over \$270,000 will be as follows:

Chargeable Income	Social Responsibility Tax Payable	Environment & Climate Adaptation Levy	Maximum Savings
270,001 – 300,000	13% of excess over \$270,000	5% of excess over \$270,000	
300,001 – 350,000	5,400 + 14% of excess over \$300,000	5% of excess over \$300,000	\$1,500
350,001 – 400,000	14,900 + 15% of excess over \$350,000	5% of excess over \$350,000	\$4,000
400,001 – 450,000	24,900 + 16% of excess over \$400,000	5% of excess over \$400,000	\$6,500
450,001 – 500,000	35,400 + 17% of excess over \$450,000	5% of excess over \$450,000	\$9,000
500,001 – 1,000,000	46,400 + 18% of excess over \$500,000	5% of excess over \$500,000	\$11,500
1,000,000 +	161,400 + 19% of excess over \$1,000,000	5% of excess over \$1,000,000	\$36,500

ECAL on motor vehicles will also be reduced from the current 10% to 5%. The ECAL structure on Hybrid and non- Hybrid vehicles are as follows:

Cylinder Capacity	Description	Current ECAL	New ECAL
Less than 1,500 cc	New	10%	5%
	Used	10%	5%
1,500 cc to 2,500 cc	New	10%	5%
	Used	10%	5%
2,500 cc to 3,000 cc	New	10%	5%
	Used	10%	5%
Exceeding 3,000 cc	New	10%	5%
	Used	10%	5%

ECAL has also been reduced from 10% to 5% on import of white goods such as smart phones, air conditioners, refrigerators and freezers, televisions, washing machines, dryers, dishwashers, electric stoves, microwaves, electric lawn mowers, toasters, electric jugs, and hair dryers.

In addition to the above, 10% ECAL on Super yachts charter will also reduce to 5%.

Major Customs Reform and Duty Reduction

Major reforms in customs and duty reduction has been announced in the 2020/2021 National Budget focusing on building an entirely new tariff structure; one that is centered around simplicity and liberal trade, with a special focus on cutting costs for the tourism sector and making life more affordable for ordinary people.

Customs duty has been reduced on over 1600 items. For more than 1000 items duties have reduced to 5% or zero % while on more than 500 items duty fell from 32% to 15%. Duty on some commonly used items on daily basis by all Fijians such as:

- laundry detergent, toothbrush and other hygiene products such as deodorant and shampoo fell from 15 % to 5%;
- exercise books reduced from 32% or \$1 per unit to 5%
- food items such as potatoes, tomatoes, jams, cereals, peanut butter, sardines, soy sauce, baking powder, pasta and chocolates reduced from 32% to 5%

This reduction is to help lower food prices, enhance public safety and help businesses lower its production costs.

Reduction in Fiscal Duty and Removal of Import Excise on White Goods

To help generate demand and stimulate business activity, fiscal duty on white goods will be reduced while import excise will be removed as follows:

Goods	Current Rates			New Rates		
	Fiscal Duty	Import Excise	Value Added Tax (VAT)	Fiscal Duty	Import Excise	Value Added Tax (VAT)
Smart phones	Free	Free	9%	Free	Free	9%
Air conditioners	15%	10%	9%	5%	Free	9%
Refrigerators and Freezers	15%	5%	9%	5%	Free	9%
Televisions	15%	10%	9%	5%	Free	9%
Washing Machines	15%	10%	9%	5%	Free	9%
Dryers	15%	10%	9%	5%	Free	9%
Dishwashers	15%	10%	9%	5%	Free	9%
Electric Stoves	15%	10%	9%	5%	Free	9%
Microwaves	15%	10%	9%	5%	Free	9%
Electric Lawn Mowers	5%	Free	9%	5%	Free	9%
Toasters	15%	10%	9%	5%	Free	9%
Electric Jugs	15%	Free	9%	5%	Free	9%
Hair Dryers	15%	10%	9%	5%	Free	9%

Reduction in Fiscal Duty in Passenger Motor Vehicles

The import duty on used passenger motor vehicles will be reduced up to 75%. The new import duty structure will be as follows:

Tariff Structure on Hybrid Vehicles

Cylinder Capacity	Description	Current Fiscal Duty	New Duty Rates
Less than 1,500 cc	New	Free	Free
	Used	\$4,000 per unit	\$1,000 per unit
1,500 cc to 2,500 cc	New	Free	Free
	Used	\$5,000 per unit	\$1,250 per unit
2,500 cc to 3,000 cc	New	Free	Free
	Used	\$6,000 per unit	\$1,500 per unit
Exceeding 3,000 cc	New	Free	Free
	Used	\$13,000 per unit	\$3,250 per unit

Tariff Structure on Non-Hybrid Vehicles

Cylinder Capacity	Description	Current Fiscal Duty	New Duty Rates
Less than 1,000 cc	New	15%	5%
	Used	32% or \$7,000/unit	15% or \$1,750/unit
1,000 cc to 1,500 cc	New	15%	5%
	Used	32% or \$11,500/unit	15% or \$2,875/unit
1,500 cc to 2,500 cc	New	15%	5%
	Used	32% or \$16,000/unit	15% or \$4,000/unit
2,500 cc to 3,000 cc	New	32%	15%
	Used	32% or \$23,000/unit	15% or \$5,750/unit
Exceeding 3,000 cc	New	32%	15%
	Used	32% or \$28,500/unit	15% or \$7,125/unit

The age limit requirement on non-hybrid passenger motor vehicles will be removed. However, these vehicles will still be required to be Euro 4 compliant.

The age limit requirement on used vehicles for transport of goods was removed in last year's Budget but these vehicles needed to be Euro 4 compliant.

The age limit requirement for the hybrid passenger vehicles remains at 5 years.

The luxury vehicle levy imposed on passenger vehicles will be removed. The Customs and excise measures are effective from 18th July 2020.

Please visit <https://www.frco.org.fj/our-services/taxation/budget-amendments/> for the 2020-2021 National Budget Summary on Revenue Policies.

For more information please email us on info@frco.org.fj.