



### **2020/2021 Revenue Policies to help provide stable economic environment**

The revenue policies announced in the 2020/2021 National Budget is expected to provide a stable economic environment in Fiji that is conducive to fostering strong and sustainable economic growth following the impact of the COVID-19 pandemic and its aftermath.

These policies focuses on enhancing investment economic activities that will help support recovery, assist business sustainability through tax relief, flexible payment arrangements, targeted tax incentives and ensure simple, streamlined taxation and customs administrative processes. It will also help improve ease of doing business in Fiji.

In this week's Tax Talk we will look at some of the changes to the existing provisions announced in the COVID-19 Response Budget on 26<sup>th</sup> March 2020 and reduction of duties on imported goods.

#### **Advance Payment of Tax and Waiver on Penalties**

In the COVID-19 Response Budget, the due dates for advance payments of tax on income tax liability was amended from paying in 3 installments at the rate of 33 1/3 percent to 9 installments at the rate of 11 1/9% during a tax year to assist businesses facing financial difficulties.

The revised due dates for companies are on the last day of the sixth, seventh, eighth, ninth, tenth, eleventh and twelfth months of the tax year and the first and second months of the following tax year. In the case of any other persons (Sole-traders, Trustees, Partners, Directors etc.), the new dates for advance payments of tax are 30 April, 31 May, 30 June, 31 July, 31 August, 30 September, 31 October, 30 November and 31 December.

Additionally, the application of penalties on estimated tax which was removed in the COVID-19 Response Budget and was valid until 31 December 2020 will not be imposed for 3 years.

## **Debt Forgiveness**

The debt forgiveness provisions were amended for all debt outstanding forgiven from 1<sup>st</sup> April 2020 up to 31 December 2020 not be subjected to income tax. In the 2020/2021 National Budget, this existing policy and the forgiveness period for the new debt is extended until 31 December 2021.

In addition, debts created between 1 April 2020 to 31 December 2021 will also be eligible for income tax exemption under debt forgiveness provisions.

## **Thin Capitalisation**

If a foreign controlled resident company, other than a financial institution, has a debt to equity ratio in excess of 2:1 at any time during a tax year, interest expense in relation to that part of the debt that exceeds the ratio is not allowed as a tax deduction unless the company can properly substantiate the arm's-length nature of the debt.

In COVID-19 Response Budget, effective 1 April 2020, thin capitalisation rules had been suspended for borrowings undertaken from 1 April 2020 up to 31 December 2020 which result in the debt to equity ratio exceeding 2:1.

In the 2020/2021 National Budget, there has been an increase in the thin capitalisation debt-to-equity ratio from 2:1 to 3:1.

## **Depreciation**

100 percent write-off on purchase of fixed assets of up to \$10,000 used for business purposes as announced in the COVID-19 Response Budget has been made permanent.

Additionally, 100 percent write-off for the construction of a new commercial and industrial building, provided that approvals are obtained are obtained prior to 31 December 2020 in the COVID-19 Response Budget has also been made permanent and provisional approval for this is no longer required.

## **Tax deduction on reduction of commercial rent**

The tax deduction to landlords for the reduction of commercial rent from 1<sup>st</sup> April 2020 to 31<sup>st</sup> December 2020 on existing rental contract for the past 6 months as announced in the COVID-19 Response Budget has been further extended to December 31 2021.

## **Amendment to provisions of donations to sports fund**

The threshold to qualify for the 150 percent tax deduction available for donations to the Sports Fund has been removed.

## **Reduction of duties on imported goods**

Customs duty has been reduced on 1647 items. For more than 1000 items, duties have been reduced to 5% or zero % while on more than 500 items, duty fell from 32% to 15%. Through reduction in tariffs, the Fijian Government is ensuring that the ordinary citizens are getting cost effective and quality products.

The list below show duty reduction on some of the basic items used commonly by consumers. An exhaustive list on tariff reduction can be accessed on <https://www.frcs.org.fj/our-services/taxation/budget-amendments/>.

### **Food Items**

Good news for all consumers as reduction of fiscal duty to 5% has seen products such as vegetarian soya chunks, protein concentrates, tomatoes, lettuce, cucumber, peanut butter, pasta, soya sauce, chocolate, vinegar, mixed condiments, soups and broths preparations, canned fruits (pineapples, peaches, apricots, cherries etc.), breakfast cereals, maple syrup, caviar, preserved fish (salmon, herring, anchovies etc.) become affordable for more people.

### **Household Items**

Household items like blankets, curtains, bed linen, table linen, kitchen linen, floor coverings such as carpets and linoleum, tableware and kitchen ware of wood, plastic flasks, wooden clothes hangers, multi-wick stove, refrigerators, wall clocks, freezers, dry cleaning machine, washing machines, microwave, toasters, coffee makers, cooktops, food grinders and mixers have fiscal duties reduced to 5%.

### **Construction Materials**

Reduction of duties to 5% from 15% and 32% on items such as PVC fittings, building stones (granite, marble, travertine), flooring panels, ceiling fans, stainless steel tubes and pipes, wooden frames, wooden shuttering and prefabricated structural components for building or civil engineering of cement is expected to enhance accessibility to quality and affordable construction materials for more people.

### **Personal Care and Hygiene**

Personal care and hygiene products such as liquid bath soap, toothpaste, dental floss, toothbrushes, combs, lipsticks, eyeliners, eye shadows, facial powders, preparations for hair use (shampoo, conditioners, hair relaxers), manicure or pedicure preparations, complete wigs, fake eye lashes, hair curling wands, hair dryers, hair removing appliances and shavers, perfumes and perfumed bath salts have fiscal duty reduced to 5%.

### **Baby Products**

Reduction of 5% fiscal duty also applies to baby walkers and swings, baby strollers and wheeled toys.

## **Books**

The protective fiscal duty rate on exercise books have also been reduced from 32% or \$1 per unit (whichever is greater) to 5%. This is to ensure quality and cost effective products to ordinary Fijians.

## **Electronics**

Fiscal duty on electronics such as sound recording or reproducing apparatus, digital cameras, radios, instant print cameras, surveillance cameras, video recording apparatus have been reduced to 5%. Loudspeakers, microphones, headphones and earphones will now be duty free.

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

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