

What's new – A Quick Look at Fiji National Budget 2017/18

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Overview

Fiji's National Budget for 2017/18 was delivered last month setting out the Government's intentions, priorities and new policy initiatives for the coming year. The theme for 2017/18 follows from previous budgets to empower Fijians in order to unlock potential in terms of economic empowerment. Overall, the budget was welcomed as it delivered pay rises for civil servants up to 79% and a bigger take home pay for many as the tax threshold was increased to \$30,000.

Education was one of the top priority areas with significant increases in Health, Infrastructure, Civil Service Reform and notable allocation towards climate change adaptation and mitigation projects following Fiji's presidency in the upcoming COP 23.

Growth forecasts were revised indicating a growth of 2.0% in 2016 going on to 3.8% in 2017 and 3.0% in 2018. Operating budget to capital expenditure ratio have remained around the same levels as previous years.

Net deficit will more than double from \$208.9m in 2016/2017 to \$499.5m in the coming year. This was, however, mainly attributed to the rollover of some capital expenditure from the previous year.

Direct and Indirect Changes

Tax threshold	In a move to boost consumer spending, the tax threshold for individual taxpayers has been increased from \$16,000 to \$30,000.
Social Responsibility Tax (SRT)	SRT which was introduced in 2012 for incomes in excess of \$270,000 will now exclude gains from one-off or unusual transactions such as sale of an asset such as rental property or land as long as you are not in the business of buying or selling that. It further excludes one-off lump sum payments such as redundancy or gratuity allowances.
	SRT has also been reduced by 10% at each income bracket applicable but this reduction has been offset by the Environment and Climate Adaption Levy of 10%. This effectively maintains the overall tax burden on incomes over F\$270,000 at the same level.
Environment and Climate Adaption Levy (ECAL)	Previously known as Environment Levy, ECAL has overall been increased from 6% to 10% along with a 10-cent per plastic bag levy being implemented, starting with all businesses with Point of Sale system in Fiji. ECAL will also apply to the purchase of luxury cars with engine sizes greater than 3000cc and super yacht charters replacing the Super Yacht Charter Fee. Funds collected under ECAL will directly fund environmental protection programs.
Dividend	Dividend withholding tax that had been introduced last year at 3% for the resident shareholders and 9% for non-resident shareholders will now be

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withholding tax	removed following some ambiguity surrounding its application especially in terms of deemed dividends and undistributed profits. A 1% transitional tax will still be levied on pre-2014 balances as at 29 June 2017. The budget also noted that any scheming around the payment or crediting of dividends to avoid or evade taxation will create a taxation offence and punishable by severe fine or prosecution.
Water Resource Tax	Water Resource Tax threshold has now increased from 3,500,000 litres per month to 9,999,999 litres per month where a tax of 1 cent per litre will apply on extraction of up to 9,999,999 litres of water per month followed by a tax of 18 cents per litre on extraction of 10,000,000 and above per month.
Fringe benefit tax	Fringe Benefit Tax will no longer apply to health insurance benefits provided by employers to local employees in order to encourage more health insurance cover.
Service turnover tax	Service turnover tax has been reduced from 10% to 6%. Total tax for tourism still remains at 25% with VAT of 9%, STT of 6% and ECAL of 10%.
VAT	Fish supplied to PAFCO will be zero-rated for VAT and suppliers will be accorded an Export Income deduction incentive. This is limited to the extent of the value of fish finally exported evidenced by Customs documentation.
Stamp Duties	Property transfers through "love and affection" which are exempted from Capital Gains Tax will be exempt from stamp duty. Amendment was made to clarify that airway bills are instruments subject to stamp duty. CEO now also has authority to exempt or refund up to \$25,000.

Other tax incentives and amendments

Government Assisted Projects

All cooperatives that receive assistance from the Government for any project will be granted an income tax exemption for five years, in line with existing renewable energy incentives.

Electric Vehicle Charging Station Incentive

The minimum investment requirements in place have been reduced from \$3 million to \$500,000. The subsidy structure under the package will be amended to just a one-tier subsidy rate of 5% of the investment level.

Film-making and Audio-Visual Incentives

Amendments have been made in relation to Qualifying Fiji Production Expenditure on a film.

Residential Housing Development Package Regulations 2016

This will be amended to provide clarification on ceiling on the sale price of residential housing so that it becomes affordable to potential average Fijian home buyers. There will be an introduction of an

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additional incentive to include investors who may partner with the Government to provide affordable housing.

Hotel investment incentives

This will be amended to give CEO FRCA the powers to grant Provisional Approvals.

Anti-Avoidance Provisions

Section 102 of Income Tax Act will be amended to strengthen Anti-Avoidance Provisions by removing the requirement for a "main" or "dominant" tax avoidance purposes. This section will be invoked as long as one of the purposes of the scheme is tax avoidance.

Tax Free Regions and Commercial Agriculture and Agro-Processing Incentives

Extended for another ten years from 2018 to 2028 with the bio-fuel incentives and investment requirement restructured.

Other changes that might interest you

- Recovery of PAYE short deductions made by employers will be the responsibility of the employer.
- Tax Administration Act will be amended to allow prosecution of an offence under a tax law to be not limited to 7 years from commission of the offence. This effectively removes the time bar for prosecuting any tax matters.
- Search warrants can now be executed by tax officers when required and all tax and customs penalties will now be amended to a maximum of \$25,000 and maximum of 10 years imprisonment where they are below these levels.
- There is now an extension of Amnesty (no tax and no penalties) for declaration of foreign assets and income from 30 June to 31 December 2017.
- For those importing in to the country, be aware that going forward the Customs Act will be amended to shift the burden of proof to importers for any proceedings under the Act for example, an incorrect valuation or classification. It also amends the record keeping period from 5 years to 7 years and removes the time bar to allow prosecution beyond 7 years for any offence.
- Exchange Control: Limits delegated to commercial banks will now include advance import payments of up to \$2 million per invoice as opposed to \$1 million previously. Limits have also been extended for subscriptions up to \$20,000 per annum and wages paid in foreign currency to foreign crew from \$500 to \$10,000 from \$500 per beneficiary.
- Cooperatives that receive assistance from Government for any project for example, localised hydro power stations, will be granted income tax exemptions for 5 years, in line with existing renewable energy incentives. Amnesty (no tax or penalties) for the declaration of foreign assets and income has been renewed till 31 December 2017.

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Summary of movements in Duty

Items	From	To
Fiscal Duty Increases		
Prefabricated Buildings	5%	32%
Acetylene gas	5%	Greater of \$5.90/kg or 32%
Rock, gravel and aggregates	0%	5% Export tax
Fiscal Duty Decreases		
Safety Matches	\$13.02. \$9.52 and \$2.33 per gross box	32%
Fabricated steel structures and insulated (electrical) cables, energy bars, steel and aluminium louvre frames, baby cots and shoes, gloves, wetsuits, neoprene boots, hybrid batteries and cells	32%	5%
Vinyl sheet piling, baby wipes	32%	0%
Glues, epoxies, sealers, protective coatings, cleaners, polishes, microphones, single and multiple speakers, new parts/new engines for motor vehicles	15%	5%
Canned sardines, readymade towels	32%	15%
DVD raw materials	\$0.50 a pair	15% on value
Towelling fabric in rolls	15%	10%
Items imported for Health Programs	Duty free concession to be granted for items approved by CEO	
Concessionary duty regime for Taxi operators	Fiscal duty reduced on importation of new and used hybrid and non-hybrid vehicles for taxi purposes depending on the size of the taxi fleet and engine size of vehicle.	
Concessionary duty regime for bus operators	Fiscal duty reduced on importation of new and used buses at various levels depending on operators' annual gross turnover and seating capacities - available for next two years.	
Inter-island shipping industry	Duty free concessions on identifiable fixtures and components and 0% duty on importation of new or used inter-island passenger and cargo vessels - available for next two years.	
Aquaculture products	Duty free concessions for items imported for development of aquaculture/mariculture industry	
TVET training activities	Duty and VAT free concessions on importation of items directly related to teaching by TVET institutions which are currently receiving government grants	

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Goods imported for international sports tournaments	Duty free concessions on goods imported temporarily for international sports tournaments	
Aid funded projects	Exemption of duties, taxes and levies where agreements or MOUs are entered into with the Government	
Donations to Government Ministries	Duty free concessions for donations while VAT component to be borne by recipient	
Goods imported for international meetings, incentives, conventions and exhibitions held in Fiji	Duty free concessions on goods imported for these purposes	
National team uniforms	Concession to be amended to include training, warm-up, playing and outdoor uniforms	
Concession Code 235	To be amended to allow disposal of goods imported under the Code 235 prior to the 5-year life span	
Import Excise Duty Reductions		
Microphones, single and multiple speakers, hailers	10%	0%
Concessionary duty regime for Taxi operators	Import excise duty reduced on importation of new and used hybrid and non-hybrid vehicles for taxi purposes depending on the size of the taxi fleet and engine size of vehicle.	
Concessionary duty regime for bus operators	Import excise duty reduced on importation of new and used buses at various levels depending on importers'/operators' annual gross turnover and seating capacities - available for next two years.	
Import Excise Duty Increases		
Steel and aluminium louvre frames	0%	5%
Local Excise Duty		
Sugar sweetened and carbonated drinks	By 15% from 30 cents per litre to 35 cents per litre	
Cigarettes, tobacco and alcohol	By 15% (rate was locked in for 3 years in the 2016/2017 Budget)	

For any further breakdown of the National Budget 2017/18, feel free to [contact us](#).

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Contact

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