

2013 BUDGET REVENUE POLICIES – TAX AND CUSTOMS

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2013 BUDGET SUMMARY OF REVENUE POLICIES

INCOME TAX ACT (ITA)

- ***Foreign companies that establishes/relocates its Headquarters to Fiji will be subject to a low corporate tax rate of 17%.***
- ***Newly listed companies on the South Pacific Stock Exchange (SPSE) to enjoy a low corporate tax rate of 18.5 percent provided the company has 40 percent local shareholding structure.***
- ***Increase in income tax threshold from \$15,600 to \$16,000 and removal of all personal taxable allowances to facilitate the smooth implementation of the Pay As You Earn (PAYE) Final Tax system from 2013. The new system will promote simplification and efficiency in the administration of PAYE tax in Fiji.***
- ***Declare Korovou to Tavua (East Viti Levu) as a Tax Free Region with the following features:***
 - *Applicable to the agricultural sector;*
 - *Applicable to newly incorporated entity;*
 - *Minimum investment of \$1m;*
 - *Tax holiday of 13 years;*
 - *Tax holiday of 20 years for dairy industry; and*
 - *Import duty exemption on the importation of raw materials, machinery and equipment (including parts and materials) for the establishment of the business for 12 months from the date of approval.*
- ***To promote growth in the exports sector, the Export Income Deduction will be retained at 40 percent in 2013.***

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- **To promote employment creation, the Employment Taxation Scheme (150% tax deduction) will be extended to 2014.**
- **150% and 200% tax deductions for donation of computers to schools will be available with the following features:**
 - **200% tax deduction** relates to donation to schools in **rural areas**.
 - **150% tax deduction** relates to donation to schools in **urban areas**
 - Applies to new **Personal Computers, laptops and tablets**.
 - Donations to be between \$10,000 to \$100,000.
- **To promote tax compliance, the definition of income in the Income Tax Act to be clarified to include unidentified deposits in family member bank accounts.**
- **To promote tax compliance and to provide an opportunity for non-resident taxpayers to claim foreign tax credit in their home country (provided the country being a Double Tax Agreement (DTA) country), the following two changes will be done to the Social Responsibility Levy regime:**
 - The Social Responsibility Levy (SRL) to be renamed as **Social Responsibility Tax (SRT)**;
 - The SRT for Resident and Non-Resident taxpayers will be calculated using **incremental system**.

Resident Taxpayers : 2013 PAYE and SRT Structure

Chargeable Income (\$)	PAYE Tax Payable (\$)	Social Responsibility Tax (SRT) Payable
0-16,000	Nil	
16,001 – 22,000	7% of excess over \$16,000	
22,001– 50,000	420 +18% of excess over \$22,000	
50,001 – 270,000	5,460 +20% of excess over \$50,000	
270,001 - 300,000	49,460 + 20% of excess over \$270,000	23% of excess over \$270,000
300,001 - 350,000	55,460 +20% of excess over \$300,000	6,900 + 24% of excess over \$300,000
350,001 - 400,000	65,460 + 20% of excess over \$350,000	18,900 + 25% of excess over \$350,000
400,001 - 450,000	75,460 + 20% of excess over \$400,000	31,400 + 26% of excess over \$400,000
450,001 – 500,000	85,460 + 20% of excess over \$450,000	44,400 + 27% of excess over \$450,000
500, 001 – 1,000,000	95,460 + 20% of excess over \$500,000	57,900 + 28% of excess over \$500,000
1,000,001 +	195,460 + 20% of excess over \$1,000,000	197,900 + 29% of excess over \$1,000,000

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Non-Resident Taxpayers : 2013 PAYE and SRT Structure

Chargeable Income (\$)	PAYE Tax Payable (\$)	Social Responsibility Tax (SRT) Payable
0-16,000	20% of excess of \$0	
16,001 – 22,000	3,200 + 20% of excess over 16,000	
22,001– 50,000	4,400 + 20% of excess over \$22,000	
50,001 – 270,000	10,000 + 20% of excess over \$50,000	
270,001 - 300,000	54,000 + 20% of excess over \$270,000	23% of excess over \$270,000
300,001 - 350,000	60,000 + 20% of excess over \$300,000	6,900 + 24% of excess over \$300,000
350,001 - 400,000	70,000 + 20% of excess over \$350,000	18,900 + 25% of excess over \$350,000
400,001 - 450,000	80,000 + 20% of excess over \$400,000	31,400 + 26% of excess over \$400,000
450,001 – 500,000	90,000 + 20% of excess over \$450,000	44,400 + 27% of excess over \$450,000
500,001 – 1,000,000	100,000 + 20% of excess over \$500,000	57,900 + 28% of excess over \$500,000
1,000,001 +	200,000 + 20% of excess over \$1,000,000	197,900 + 29% of excess over \$1,000,000

VALUE ADDED TAX (VAT) DECREE

- ***External funded projects, which are channeled through Ministry of Finance will be exempted from VAT.***

SERVICE TURNOVER TAX (STT) DECREE

- ***To promote compliance with STT Decree, the following two amendments will be done in 2013:***
 - ***Persons or agents*** receiving rental money on behalf of home stay owners are accountable to **pay** FRCA the 5 percent Service Turnover Tax (STT) every month with the net amount paid to the home stay owners.
 - ***Lodgement*** of STT returns **by home stay owners or their agents.**

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CAPITAL GAINS TAX (CGT) DECREE

- **To promote CGT compliance, an amendment to Section 15 of CGT Decree will be done to require lodgment of CGT returns in all cases mandatory, regardless of whether CGT is payable or not.**
 - *FRCA will scrutinize CGT returns (lodged in all cases) efficiently and promptly before a CGT certificate is issued.*
 - *FRCA will retain powers to demand returns for both the exempt or non-payable cases.*
- **To standardize recordkeeping requirements across all tax laws, the time period to keep records for CGT purposes will be 7 years.**
 - *Currently, a person retains record for 5 years from the date of disposal of the Asset (section 17 of CGT Decree).*
 - *To be consistent with other tax laws, Section 17 of CGT Decree will be amended to align with 7 years.*

STAMP DUTY ACT

- **Stamp duty rates on all instruments will be increased threefold (3 times). No major review of the rates have taken place prior to the 2013 Budget.**

CREDIT CARD LEVY

- **The computation of the Credit Card Levy to be based on individual credit card holders billing cycle.**

TAX ADMINISTRATION DECREE (TAD)

- **To promote tax compliance, the terms serious omission, wilful neglect and fraud (section 11(2)) will be defined clearly in TAD as follows:**
 - **Serious omission** – omission of a significant amount of tax compared to the total amount payable by any taxpayer.
 - **Wilful Neglect** – deliberate act by a taxpayer or tax agent or representative to minimize taxes paid to FRCA.

- **Fraud** - false statement to the CEO by a taxpayer or tax agent or representative in regards to taxpayer's liability to tax, which has been made knowingly, or without belief in its truth, or recklessly, careless whether it be true or false.
- **To promote tax recovery, FRCA can now issue garnishee orders to financial institutions who maintain bank overdraft accounts of defaulting taxpayers, provided the defaulting taxpayers bank balance is below the bank overdraft limit allowed to the taxpayer by the bank.**
 - Financial institutions should adhere to this garnishee order and debit the bank overdraft account of the taxpayer and forward the payment to FRCA.
- **Companies will be made responsible for Shareholders Liability.**
 - Section 42 of Tax Administration Decree states that in the case of companies being liquidated or insolvent, the directors and controlling shareholders are individually, jointly and severally fully liable for the company debts. The existing legislation does not allow for the reverse.
 - When the director or controlling shareholder become insolvent or liquidated, the company is neither concerned nor involved.
 - Hence, the 2013 Budget policy is to ensure that the company is also responsible for the **shareholder's debt**.
 - Also in section 42 of TAD, FRCA has some powers to deem sleeping directors, upon proofs, to be free from the company debt

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CUSTOMS TARIFF ACT (CTA)

Table 1: Fiscal Duty Changes

Policy	Description
1. Introduction of Green Tax	<ul style="list-style-type: none"> ❖ Increase the fiscal duty on: <ul style="list-style-type: none"> ❖ Motor Spirits (44 cents per litre to 46 cents per litre); ❖ Automotive and industrial diesel oil (18cents per litre to 20cents per litre) ❖ Green Tax will not apply on white benzene, kerosene, premix and inter island vessels. ❖ Rebate of 2 cents per litre for Bus and Fishing industries will be in place.
2. Smart Phones	❖ Duty on smart phones to reduce from 5% to 0%
3. Dairy Industry	❖ Regularise the agreement between Government and Fiji Dairy Limited
4. Cigarettes, tobacco and alcohol	❖ Increase in fiscal duty by 10 percent .
5. Cool room freezer panels, boxes, cases etc of Styrofoam	❖ Increase duty to 32%

Table 2: Import Excise Duty Changes

Policy	Description
1. Vegetable	❖ Import excise duty on vegetables to be reduced from 10% to 0% in line with the 0% duty on fruits
2. Articles of plastics	❖ Import Excise duty of 15% will be imposed.

Table 3: Excise Duty Changes

Policy	Description
1. Cigarettes, tobacco and alcohol	<ul style="list-style-type: none"> ❖ Increase current Excise Duty rates by 10%. ❖ Details provided below.

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Table 4: 2013 Excise Rates

Description	2012 Rates	2013 Rates
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or less	\$1.43/litre	\$1.57/litre
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or more	\$1.67/litre	\$1.84/litre
Potable Spirit Not Exceeding 57.12 GL	\$31.46/litre	\$34.61/litre
Potable Spirit Exceeding 57.12 GL	\$55.09/litre	\$60.60/litre
Wine: Still	\$2.22/litre	\$2.44/litre
Sparkling	\$2.53/litre	\$2.78/litre
Other fermented beverages: Still	\$2.22/litre	\$2.44/litre
Sparkling	\$2.53/litre	\$2.78/litre
Ready to Drink Mixtures of Any Alcoholic Beverages of any Alcoholic Strength by volume of 11.49% or less	\$1.03/litre	\$1.13/litre
Cigarettes from local tobacco per 10 sticks	96.68 cents	106.35 cents
Cigarette from imported tobacco per 10 sticks	145.03 cents	159.53 cents
Manufactured tobacco containing tobacco grown outside Fiji	\$83.56/kg	\$91.92/kg
Manufactured tobacco containing tobacco grown in Fiji	\$49.09/kg	\$54.00/kg
Manufactured tobacco containing tobacco grown in foreign and tobacco grown in Fiji:	\$83.56/kg	\$91.92/kg
Foreign portion	\$83.56/kg	\$91.92/kg
Local portion	\$49.09/kg	\$54.00/kg

Table 5: Rectification Of Customs Tariff Anomalies

Policy	Description
1. Ozone depleting substances	<ul style="list-style-type: none"> ❖ Align duty rate under tariff item 2903.79.10 and 2903.79.90 to 32% fiscal duty, free import excise duty and 15% VAT; ❖ Delete 2903.79.20; ❖ High duty rates were imposed on this heading as they are ozone-depleting substances. Following the implementation of the 2012 Harmonized Systems, the duty rate for these three tariff items were not aligned.
2. Chassis fitted with Engines and Cabs	<ul style="list-style-type: none"> ❖ Chassis fitted with engines and Cabs previously under section 10 is now accommodated in the tariff.

END

**For avoidance of doubt, please refer to the 2013 Budget Supplement.*