

Fiji Budget 2015

Synopsis

21 November 2014





2015 Fiji Budget

“Turning Promises Into Deeds”

The 2015 Fiji Budget was today presented to the nation by the Attorney General and Minister for Justice, Finance, Public Enterprises and Service with the theme of “*Turning Promises Into Deeds*”.

1. 2015 Budget Estimates – Snapshot

	2015 Budget	2016 Budget	2017 Budget
Revenue:	3,122.4	3,032.9	3,166.6
<i>As a % of GDP</i>	<i>36.0</i>	<i>33.0</i>	<i>32.5</i>
Expenditure:	3,336.3	3,216.7	3,312.8
<i>As a % of GDP</i>	<i>38.5</i>	<i>35.0</i>	<i>34.0</i>
Net Deficit	(213.9)	(183.8)	(146.2)
<i>As a % of GDP</i>	<i>(2.5)</i>	<i>(2.0)</i>	<i>(1.5)</i>
Debt	4,114.1	4,406.2	4,552.3
<i>As a % of GDP</i>	<i>48.3</i>	<i>47.9</i>	<i>46.7</i>
GDP at Market Prices	8,668.8	9,190.5	9,743.4

The Fijian economy is forecasted to grow by 4% in 2015, higher than the earlier forecast of 2.4%.

For 2015 and 2016, inflation is projected at 3.5% and 3.0% respectively, compared to projected inflation of 1.5% by the end of 2014.

Exports are projected to grow by 3.5% in 2015 compared to the forecast growth of 8.0% for 2014.

2. DIRECT TAX MEASURES

INCOME TAX

Policy	Description
1. Promote Disaster Relief Preparedness for Farmers	200% tax deduction for voluntary contribution of cash donation by taxpayers towards a Farmers Emergency Fund Account for disaster relief, with minimum contribution of \$10,000.

Policy	Description
2. Incentivize Small and Medium Enterprises (SMEs) for the Agriculture Sector	<ul style="list-style-type: none"> ✚ Extend the scope of SME Income Tax Incentive to cover the whole Agriculture sector. ✚ Currently it covers only selected activities within the Agriculture sector.
3. Promote Commercial Agriculture and Agro-processing by reducing the threshold and extending the expiry date.	<ul style="list-style-type: none"> ✚ Reduce the Commercial Agriculture incentives minimum initial level of investment from \$2,000,000 to \$250,000 in line with the TFR thresholds: <ul style="list-style-type: none"> ✚ \$250,000 - \$1,000,000 Capital Investment – 5 years tax holiday ✚ \$1,000,000 - \$2,000,000 Capital Investment – 7 years tax holiday ✚ \$2,000,000 and above Capital Investment – 13 years tax holiday ✚ The incentive is extended to 31 December, 2018.
4. Promote ICT investment through extension of existing incentives.	<ul style="list-style-type: none"> ✚ Extend the scope of ICT incentives to include setting up of ICT accredited training institutions and ICT start ups involved in the application design and software development companies. ✚ The benefits will include: <ul style="list-style-type: none"> ✚ 150% deduction for all ICT start-up costs (no conditions such employment level and export requirements attached). ✚ Duty-free and VAT exemption on all items imported which is required for the establishment.
5. Promote exports growth by increasing the existing export incentives	<ul style="list-style-type: none"> ✚ Export Income Deduction to be increased from 40% to 50%.
6. Promote Hotels Investment by extending the definition of Project in the Eleventh Schedule.	<ul style="list-style-type: none"> ✚ Expand the definition of “project” under the Hotel Investment Tax Incentive (Eleventh Schedule of the Income Tax Act) to include the buying and selling of residential units in hotel and integrated tourism developments.
7. Promote Hotels Investment by extending the Short Life Investment Package incentives to include new apartments	<ul style="list-style-type: none"> ✚ Extend the current Short Life Investment Package incentives (Eleventh Schedule of the Income Tax Act) to include new apartments. ✚ The length of stay at the apartments should not be more than six months.
8. Extend Accelerated Depreciation Allowance Incentives	<ul style="list-style-type: none"> ✚ Accelerated Depreciation Allowance for buildings, Plants and Machineries will be extended to 31 December 2018.
9. Extend Bio-Fuel Production Incentive	<ul style="list-style-type: none"> ✚ Bio-Fuel Production incentives (10-year tax holiday) will be extended to 31 December 2018.
10. Incentivize Savings for those earning \$16,000 and below	<ul style="list-style-type: none"> ✚ Individuals with total earning of \$16,000 and below will be exempt from paying resident interest withholding tax on any interest earned from savings.
11. Amend the Tax Administration Decree	<ul style="list-style-type: none"> ✚ Change the Chairmanship of the Tax Agents Board to the Permanent Secretary for Finance or his appointed representative.

CAPITAL GAINS TAX

Policy	Description
1. Exempt CGT on Transfers on Love and Affection	<ul style="list-style-type: none">CGT will be exempt on Love and affection transfers:<ul style="list-style-type: none">parents to children and vice versawithin siblings and;between spouses;between grandchildren and grandparents and vice-versa.
2. CGT Valuation	<ul style="list-style-type: none">Current practice of independent valuation by Solicitor General to remain.From 2015, Solicitor General will pay the Valuers.
3. Exempt CGT on gain made from sale of shares for private companies listed in the South Pacific Stock Exchange	<ul style="list-style-type: none">Align CGT legislation with the Income Tax Act to exempt CGT on gains made from sale of shares arising from reorganization, restructure and amalgamation of private company for purpose of listing on the South Pacific Stock Exchange.

FRINGE BENEFIT TAX

Policy	Description
1. FBT will be charged on accommodation provided to Hotel Executives.	<ul style="list-style-type: none">FBT will be extended to include all accommodation provided to hotel executive managers, irrespective of the location of the hotel.
2. Provide clarity on apportionment of FBT charged on Motor vehicle if the benefit given to the employee is also used for business purposes.	<ul style="list-style-type: none">The value of the benefit from Motor vehicle is reduced by 50% and leftover 50% is charged FBT. This will provide clarity and will not require keeping of log books.
3. Formalize the non-deductibility of FBT	<ul style="list-style-type: none">Section 19 of the Income Tax Act is amended to formalize the non-deductibility of FBT.

STAMPS DUTY

Policy	Description
1. Amend and insert new definitions into the Stamp Duties Act.	<ul style="list-style-type: none">Section 2 is amended to insert new and amend existing definitions listed below: Land, Lease, Money and Stamp Office.
2. Introduce Stamp Duty for non-resident residential property buyers	<ul style="list-style-type: none">10% stamp duty will be charged on transfer for non-resident strata title property buyers.5% stamp duty will be charged on mortgage for non-resident strata title property buyers.Non-resident definition in this case is for tax purposes.
3. Exempt Stamp duty for agriculture mortgage and SME's	<ul style="list-style-type: none">Part 1 of the Schedule is amended to exempt stamp duty for all mortgages relating to Agriculture, and all stamp duties for SME's.
4. Stamp Duty Exemptions	<ul style="list-style-type: none">Exempt Stamp Duty on employment contract; andTransfer of vehicle by probate or divorce settlement.

3. INDIRECT TAX

SERVICE TURNOVER TAX

Policy	Description
1. Provide Clarity on bars on which STT will be charged.	✚ STT to be charged on the 'provision of meals, beverages or any other services in all licensed bar' including bars in clubs.
2. STT will also be levied on hired vehicles (LH registered vehicles) as well.	✚ STT is extended to include service provided by Hired vehicles ✚ LH number plates will be charged STT.
3. Extend scope of STT on services provided in restaurants	✚ The scope of STT is extended to also include takeaway meals in restaurants with gross turnover of \$1.5m.
4. Exempt STT on Medical evacuations and Natural Disaster	✚ STT will not be charged on chartered flight (aircraft and helicopters) services provided for medical evacuations and also for natural disaster.

VALUE ADDED TAX

Policy	Description
1. Tourist VAT Refund Scheme is extended to other Ports of Entry	✚ The Fourth Schedule to the VAT Decree will be amended to extend the Tourist VAT Refund Scheme to Nausori International Airport and Lautoka Wharf.
2. Amend the definition of New Dwelling House	✚ Section 70 of the VAT Decree is amended to provide clarity on the incentive given for refunds of VAT on New Dwelling House. ✚ VAT refunds will only be allowed for the first residential property.
3. Zero-rate repeats on prescribed medicine	✚ The Second Schedule to the VAT Decree is amended to zero-rate repeats of prescribed medicine.

AMNESTY

Policy	Description
1. Grant amnesty (no penalties or tax liabilities) for the declaration of assets outside Fiji.	✚ Applicable to Fiji residents; ✚ Amnesty applicable for a period of 6 months.
2. Grant amnesty on all penalties payable on outstanding tax liabilities. The liabilities do not include penalties	✚ A committee consists of CEO and FRCA Board members will consider amnesty applications; ✚ Penalties will be waived; ✚ A tax payment program will be finalized with the taxpayers; ✚ Will cover all income tax, VAT and Capital Gains Tax liabilities; ✚ This is for 6 months; ✚ Tax liability has been accepted by the taxpayer but the taxpayer has the inability to pay in lump sum.

CUSTOMS CHANGES

(i) FISCAL DUTY CHANGES

Policy	Description
1. Increase duty on imported alcohol, cigarettes and tobacco	✚ Increase Import duty on all imported alcohol, tobacco and cigarettes by 10%.
2. Increase duty on luxury items	✚ Increase Import duty on luxury items listed below from 0% to 32% ✚ Perfume, cosmetics, pre-shave, shaving, or after-shave preparations, Camera's and Camcorders, sunglass, binoculars, video & electronic games, watches, iPods, MP3 and MP4 players, and Jewellery.
3. Insert New tariff items for sheet of printing and photocopying papers (A3, A4, A5)	✚ Introduce an import duty (32%), excise (Free) and VAT (15%) by creating new tariff items for printing and photocopying paper under the tariff items 4802.62.10 and 4810.14.20, 4810.22.20, 4810.29.20.
4. Insert New tariff item for LED Lights	✚ Introduce import duty (0%), Excise (Free), VAT (15%) by creating new tariff item under the tariff item 9405.40.20.
5. Increase duty on exercise books	✚ Specific rate of \$1 or 32% whichever is greater will be applied on exercise books.
6. Increase duty on imported unrecorded/blank optical media.	✚ Increase fiscal duty on imported unrecorded/blank optical media from \$2 to \$5.
7. Insert Hybrid vehicles under concession code 129	✚ Concession code 129 will be extended to include Hybrid Vehicles.
8. Ensure that only 1 vehicle per family is granted concessions on importation by returning Fiji residents.	✚ Concession code 220 will allow only 1 used motor vehicle per family. ✚ Normal duty will be imposed on importation of additional vehicles.
9. Extend Concession Code 223 to cover other teaching related goods.	✚ Concession code 223 amended in Column 3 to also include computers for computer labs, multimedia equipment or other teaching related goods as goods eligible for Universities or other educational institution as goods eligible for duty concession.
10. Align the definition of Capital Goods in the Eleventh Schedule.	✚ Concession code 244 amended in Column 3 by referring to capital goods as defined in the Eleventh Schedule of the Income Tax Act to be eligible for duty concession. The definition of "capital goods" is capital equipment, plant, machineries and any other goods employed in the production of other goods but does not include furniture or motor vehicles, kitchenware, raw material, furniture and fittings.
11. Add planting media under Concessions Code 255	✚ Concession Code 255 amended in Column 3 by adding planting media used for floriculture.

Policy	Description
12. Extend Concession Code 261 to also cover ICT accredited training institutions and ICT start-ups involved in the application design and software development.	<ul style="list-style-type: none"> ✚ Concession Code 261 amended in – ✚ (a) Column 1 by adding ICT accredited training institutions and ICT start-ups involved in the application design and software development companies shall be entitled to these concessions. ✚ (b) Column 3 by adding any other goods imported for the purpose of ICT will be granted concession.
13. Extend Concession Code 264 to other electric, hybrid and solar powered items.	✚ Concession code 264 (Column 3) is amended by adding hybrid solar electrical powered items, solar and electrical charging station and energy storage system that are imported by companies involved in renewable energy to be allowed duty concession.
14. Create new Concessions Codes 275, 276 and 277.	<ul style="list-style-type: none"> ✚ Include the current section 10 approval as new concession codes: <ul style="list-style-type: none"> (a) Concession code 275 for companies involved in manufacturing noodles who import taste maker; (b) Concession code 276 for companies involved in canning or pouched packaging of fish; (c) Concession code 277 for companies involved in filming who import filming equipment's.
15. Create new concession code 278 to accommodate for semi-finished goods, products imported in bulk for packaging and other goods for assembly.	✚ Concession Code 278 will apply to companies/entities involved in the importation of semi-finished products, products imported in bulk for packaging and other goods for assembly and packaging materials on the condition that it is bonded and 100% exported. Plant and machinery used for this purpose will attract the duty rates of Free Fiscal, Free Import Excise and 15% VAT.
16. Extension of concession code 265.	✚ Code 265 will be extended to include all drilling machines and equipment for borehole and water projects.
17. Extension of Concession code 113.	✚ Code 113 will be extended to include any other item as approved by the comptroller.

(ii) EXCISE DUTY CHANGES

Policy	Description
1. Increase excise rate on tobacco and alcohol	✚ Increase excise duty on tobacco and alcohol by 10%.
2. Remove excise duty on locally produced optical media.	✚ Remove Excise rate of \$1 on locally manufactured optical media.
3. Impose excise tax on all sweetened drinks	✚ Impose excise duty on sweetened drinks at a rate of 5 cents per litre.

2015 EXCISE RATES

Description	2014 Rates	2015 Rates
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or less	\$1.73/litre	\$1.90/litre
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or more	\$2.02/litre	\$2.22/litre
Potable Spirit Not Exceeding 57.12 GL	\$38.07/litre	\$41.88/litre
Potable Spirit Exceeding 57.12 GL	\$66.66/litre	\$73.33/litre
Wine: Still	\$2.68/litre	\$2.95/litre
Sparkling	\$3.06/litre	\$3.37/litre
Other fermented beverages: Still	\$2.68/litre	\$2.95/litre
Sparkling	\$3.06/litre	\$3.37/litre
Ready to Drink Mixtures of any Alcohol and non-alcoholic beverages of an alcoholic strength by volume of 11.49% or less	\$1.24/litre	\$1.36/litre
Cigarettes from local tobacco per 10 sticks	116.99 cents	128.69 cents
Cigarette from imported tobacco per 10 sticks	175.48 cents	193.03 cents
Manufactured tobacco containing tobacco grown outside Fiji	\$101.11/kg	\$111.22/kg
Manufactured tobacco containing tobacco grown in Fiji	\$59.40/kg	\$65.34/kg
Manufactured tobacco containing tobacco grown outside Fiji and tobacco grown in Fiji:	\$101.11/kg \$59.40/kg	\$111.22/kg \$65.34/kg
Tobacco grown outside Fiji		
Tobacco grown in Fiji		

(i) CUSTOMS PROHIBITED IMPORT AND EXPORT REGULATION

Policy	Description
1. No license required for the importation of mechanical harvesters.	✚ Delete Item 9, Column 3 of Schedule 2.
2. Align currency allowable to travellers to the Exchange Control Guidelines	✚ Ensure that Fiji passport holders are allowed to carry currency in accordance to the Exchange Control Guidelines issued by Reserve Bank of Fiji.

(ii) OTHER CUSTOMS CHANGES

Policy	Description
1. Insert a new definition for "Process"	✚ Insert a new definition for Process, which will also take into account substantial transformation. ✚ This is to bring more clarity on this term, as there is no definition of process in the existing Customs Act.
2. Recovery of Penalty	✚ Amend Section 95 of the Customs Act to allow recovery of penalties.

Policy	Description
3. Insert Administrative Summons in the Customs Laws	<ul style="list-style-type: none"> A new section 95E is inserted to introduce Administrative Summons which is an essential tool for recovery purpose This would go hand in hand with the Garnishee provisions introduced in the 2012 Budget announcement.
4. Enhance recovery of short payment of duties	<ul style="list-style-type: none"> Amend Section 101A of the Customs Act to reinforce the provision to allow for recovery of short paid duty for the past 5 years after an audit.

4. Exchange Control Measures

The following table highlights the exchange control policy to be effective from 1 January 2015.

Payments	Current Delegated Limit to Authorised Dealers	Delegated Limit To Authorised Dealers WEF 1 January 2015
1. Merchant Goods	F\$100,000 per invoice	F\$200,000 per invoice
2. Medical Allowance paid directly to an Individual	Up to \$10,000 per patient per annum	F\$50,000 per patient per annum.
3. Education funds paid directly to students	Up to \$10,000 per student per annum	F\$20,000 per student per annum.
4. Forward Foreign Exchange Cover	\$40 million per bank to write sales contracts in excess of purchase contracts	\$50 million per bank to write sales contracts in excess of purchase contracts

PricewaterhouseCoopers is pleased to provide this synopsis of the 2015 Fiji Budget. A more detailed commentary of the 2015 Fiji Budget will be issued.

Should you have any queries on the budget or our synopsis, please do not hesitate to contact any of the partners.

<p>SUVA</p> <p>8th Floor, Civic Tower 272 Victoria Parade G.P.O. Box 200 Suva Fiji</p> <p>Ph: (679) 331 3955 / 331 5199 Fax: (679) 330 0981 / 330 0947</p>	<p>LAUTOKA</p> <p>52 Narara Parade P.O. Box 54 Lautoka Fiji</p> <p>Ph: (679) 666 0400 / 666 1055 Fax: (679) 666 1798 / 666 4671</p>
<p>Partners</p>	
<p>Jenny Seeto jenny.seeto@fj.pwc.com 7020898 / 9990898</p>	  <p>Chirk Yam chirk.yam@fj.pwc.com 7020893 / 9990893</p>
<p>Nitin Gandhi nitin.gandhi@fj.pwc.com 7020894 / 9990894</p>	  <p>Wiliki Takiveikata wiliki.takiveikata@fj.pwc.com 7020895 / 9990895</p>
<p>Jerome Kado jerome.kado@fj.pwc.com 7020899 / 9990899</p>	  <p>Kaushick Chandra kaushick.xx.chandra@fj.pwc.com 7020900 / 9992070</p>



Should you wish to discuss any aspect of the budget or any other matter, please contact us.

This Fiji Budget commentary has been prepared to provide a prompt overview of the general issues raised in the 2015 Fiji Budget. It does not exhaustively cover the subjects discussed. When specific issues occur in practice it may be necessary to refer to the laws and regulations and to obtain appropriate professional advice.

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