

INCENTIVES



Investment Package
Hotel Industry Incentives
Audio Visual Incentives
Agriculture Incentives
Small and Micro Enterprises
Vanua Levu Tax Incentives
ICT Incentives
Manufacturers
Other Incentives

2001 INVESTMENT PACKAGE

TAX RATE REDUCTION

YEAR	RESIDENT COMPANIES	NON-RESIDENT COMPANIES
2001	From 35% to 34%	From 45% to 34%
2002	From 34% to 32%	From 34% to 32%
2003	No change – 32%	No change – 32%
2004 – To Date	From 32% to 31%	From 32% to 31%

- Personal tax rate for top income bracket reduced to 31% in 2004 to align with corporate tax rate.

INVESTMENT ALLOWANCE

- 40% deduction for investment allowance can be claimed between 2001 and 2008 (both years inclusive) in respect of qualifying expenditure relating to the following investment activities: -
 - an agricultural, forestry or marine resources business;
 - an information technology business; or
 - a rural manufacturing business.
- "Qualifying expenditure" means expenditure of at least \$50,000 on the acquisition of capital assets excluding land or building, a passenger vehicle or trading stock.

ACCELERATED DEPRECIATION

- Accelerated depreciation for building erected before 2001 has been extended to 2010. 20% depreciation for building used for agricultural, commercial or industrial purpose can be written off within any 5 of 8 years. 100% write off will be available in the year the expenditure was incurred on water storage facilities and renewable energy plant and machineries.

EXPORT INCOME DEDUCTION

- "Export income" means net profits derived by a taxpayer from the business of exporting goods and services but excludes re-exports. Deduction shown in the Table:

Year of assessment	Percentage of export income to be deducted
2001 and 2002	100%
2003 and 2004	75%
2005 and 2006	50%
2007	50%
2008	50%

- Export income deduction will only be allowed if the Commissioner of Inland Revenue is satisfied that the export earnings will be remitted to Fiji.

LOSS CARRIED FORWARD

- Loss carried forward extended from 6 to 8 years. Loss carried forward by a company can now be allowed if that entity satisfies the continuity of ownership test or the same business test.

DIVIDEND EXEMPTION SYSTEM

- Shareholders no longer subject to tax on profits that have already been fully taxed at the company level.
- Exemption from tax at the shareholder level is to be based on percentage of dividends subject to tax at company level. This percentage is calculated by a formula, which also incorporates a notional tax credit or deemed tax paid in relation to a few of the concessions.

DUTY CONCESSIONS

PRODUCTION INPUTS

- All goods used as raw materials in the manufacture of approved goods will attract 3% fiscal duty + 12.5% VAT.

CAPITAL ITEMS

- Duty rates on capital items (which refer to machinery used for converting / processing raw materials) will attract 5% fiscal duty + 12.5% VAT.

DUTY SUSPENSION SCHEME

- Enables exporters to have access to inputs without having to pay for duties upfront.
- Imported goods are conditionally relieved from payment of fiscal duty and VAT on the basis that such goods will be substantially transformed through manufacturing or processing and subsequent exportation.
- The Scheme would entitle exporters to import duty free an amount equal to the proportion of approved imported inputs required to produce exports. This is called entitled Proportion (EP).
- Administered by the Exporters Club, which is a private sector led organization.

HOTEL INDUSTRY INCENTIVES

STANDARD ALLOWANCE

- Investment allowance (in addition to ordinary depreciation) of 55% of total capital expenditure is allowed as a deduction provided there is no shift of tax revenue to other countries.
- Applicable to building of new hotel including renovations or refurbishments or extensions of existing hotel.
- International Retiree Facilities to also enjoy 55% Investment Allowance.
- Investment Allowance can only be written-off against the income of the hotel business or income from the hotel premises.
- Losses carried forward extended to 13 years.

SHORT LIFE INVESTMENT PACKAGE

- Short Life Investment Package available till 31 December 2008 and is also available to villa developers.
- Applicable to capital investments not less than \$40m [FULL SLIP] and capital investments between \$10m and \$40m [HALF SLIP].
- 20 year tax holiday for "FULL SLIP" investment & 10-year tax holiday for "HALF SLIP" investment.
- Import duty exemption on all capital goods (including capital equipment, plant and machinery but excluding furniture and motor vehicles) imported on or before 31/12/2008 that is used in carrying out the short life investment.
- Short Life Investment Package (SLIP) Incentives is also available for retirement facilities and hospital resorts.

AUDIO VISUAL INCENTIVES

INCOME TAX DEDUCTIONS

- 150% deduction for capital expenditure on an F1 audio-visual production.
- 125% deduction for capital expenditure on an F2 audio-visual production.

INCOME TAX EXEMPTIONS

- Net income from an F1 production is exempt until taxpayer has received a 60% return on capital expended. Thereafter, net income will be fully taxed at the marginal rate.
- Net income from an F2 production is exempt until taxpayer has received a 50% return on capital expended. Thereafter, net income will be fully taxed at the marginal rate.

STUDIO CITY ZONE CONCESSIONS

- Any sole proprietor, partnership or company that carries on a production activity (the production of, distribution of or supply of services to audio-visual productions) may qualify for an operating licence in the Studio City Zone and be entitled to an exemption from tax on the income from the production activity carried on in the Zone.
- Tax free status for "permanent residents" of the Studio City Zone on income derived as earnings from audio-visual productions.
- For residence in the Zone to be approved, in the case of citizens, the individual must be:-
 - resident in the Zone for at least 183 days;
 - have pre-tax audio visual earnings in excess of \$100,000;
 - have fixed assets in the Zone in excess of \$250,000; and
 - maintain a primary place of residence in the Studio City Zone.

- For residence in the Zone to be approved, in the case of non-citizens (or a citizen who derives a minimum of 80% of audio visual earnings from outside Fiji), the individual must be: -

- resident in the Zone for at least 60 days;
- have pre-tax audio visual earnings in excess of \$100,000;
- have fixed assets in the Zone in excess of \$250,000; and
- maintain a permanent place of residence in the Studio City Zone.

FILM TAX REBATE

Summary Part IV, 6th Schedule – Income Tax Act

Fiji Film Tax Rebate Bill	
Rebate Amount	15% tax rebate or credit on production costs spent in Fiji: paragraph 65-10
Eligibility	Films and television productions, as per existing Sixth Schedule: paragraph 65-15
Minimum Spend in country	Minimum spend in Fiji F\$250,000: paragraph 65-15(1)(f)
Minimum % of budget to be spent in country	35% of total budget up to F\$25 million: paragraph 65-15(1)(g)(i). If more than F\$25 million is spent in Fiji, the production qualifies for the tax rebate regardless of the percentage of the total budget that it represents: paragraph 65-15(1)(h).
Maximum Rebate	F\$3.75 million, so even if more than \$25 million spent in Fiji the maximum rebate is still F\$3.75million: paragraph 65-10(2).
Exclusions	Where a producer has chosen to access the film tax rebate, the producer will not be able to obtain any other tax concessions under Parts II and III of Sixth Schedule: paragraph 65-5(2).

4 AGRICULTURE INCENTIVES

- 200% deduction on capital expenditure:
 - The activity under this assistance will include listed items under Paragraph 32 of PART V of the Depreciation Schedule.
 - Also includes the purchase of farm implements and plant & machinery used on the farm as well as cost of irrigation.
 - The incentive will be available to all taxpayers not enjoying other concessions under the Income Tax Act. The concession will be available for 5 years effective from 1/1/06.

5 SMALL AND MICRO ENTERPRISES (SME'S)

Income tax exemption to be applicable to selected sectors with maximum turnover threshold of \$300,000. The sectors include:

- Agriculture and Fishing (Sugarcane Farmers; Coconuts; Rice; Ginger; Yaqona; Fishing; Raising Livestock; Vegetable; dalo, cassava and other root crops production; farming and Bee keeping).
- Tourism (Sea Cruise and River tour Operators).
- Community and Social Services (Amusement, recreation services; traditional handicraft producers (not "middleman" or agents).
- Supportive projects to tourism industry (flora, fauna and other natural characteristics of Fiji; and history, traditions, cultures and ways of life of its peoples).

6 VANUA LEVU TAX INCENTIVES

The incentives are applicable to the following persons: -

- New Businesses in Vanua Levu, that is, for the sectors specified in the legislation; and
- Existing Businesses in Vanua Levu provided that there is an increased sale by 25% or more than 5 new persons are employed from 2006.
- The package entails the following: -
 - 300% Tax Deduction on Capital Expenditure
 - 200% Tax Deduction for Employment Taxation Scheme
 - 100% Tax Exemption Export Incentive
 - Duty Free importation of Capital items
 - Duty Free importation of Raw Materials
- Specific industries being targeted include: -
 - Information Communication and Technology;
 - Agriculture;
 - Forestry;
 - Mining; and
 - Manufacturing (Textile, Clothing and Footwear (TCF); Timber manufacturing; Fishery manufacturing; or Ship building and maintenance works.
- Vanua Levu also includes Taveuni, Rabi, Kioa and other islands generally included for government's administrative purpose as being in the Northern Division.

8 INFORMATION COMMUNICATION TECHNOLOGY (ICT) INCENTIVES

- Income tax exemption available to Information Communication Technology (ICT) operators operating:
 - in the declared Kalabu Tax Free Zone from 1 January 2007 to 31 December 2016; or
 - anywhere outside the Kalabu Tax Free Zone who is granted a license between 1 January 2008 and 31 December 2010 for a period of ten years. Any operator may apply and pay a license fee of \$1,000 per annum to the Commissioner of Inland Revenue.
- Income tax exemption will be available to investors under the following criteria:
 - Business employs 50 employees or more for any 6 months within the income year; and
 - 60 percent of its total services is exported.
- Tax incentives to attract setting up of ICT industries outside the Zone. Incentive includes:
 - 80% income tax exemption for businesses employing more than 101 employees;
 - 60% exemption for those that employ between 60 to 100 employees; and
 - 40% deduction for those employing 10 to 59 employees.

8 MANUFACTURERS

- 100% of the amount of investment as a deduction for investing in food processing as well as forestry. Re-investment will also be allowed for expansion purposes. In order to qualify, the investor should utilize 50% of local produce in its production process.

9 OTHER INCENTIVES

- Employment Taxation Scheme – 150% of the salary and wages paid within 1 January 1997 and 31 December 2008 are tax deductible. The deduction is restricted to salary and wages paid in respect of 12-month period commencing from the date of the appointment of the employee provide he or she has not previously been in full-time paid employment.
- 150% deduction on capital expenditure (excluding motor vehicles, furniture and fittings) incurred in Fiji by a non-resident company carrying on business in Fiji from profits earned or derived in Fiji.

10 OTHER CUSTOMS CONCESSIONS

Industry	Items	Fiscal	VAT
Sugar	Cab & chassis specifically for carting sugar cane.	5%	12.5%
Fishing	1. Automotive Diesel Oil	8cents /litre	12.5%
	2. Specialised fishing gear & equipment	3%	12.5%
	3. Fish baits	3%	12.5%
	4. Specialised fishing vessels	10%	12.5%
Approved Operators Engaged in 100% Export	1. Sharks Fin	Free	12.5%
	3. Live Fish		
	4. Live corals		
	5. Food Supplementary		
	6. Fish sauce and Fish		
	6. Fish sauce and Fish		
Inter Island Shipping	1. Automotive Diesel Oil & Industrial Diesel Oil	Free	12.5%
	2. Mooring ropes between 56mm to 76mm in diameter	3%	
Logging	Cab & chassis specifically for carrying logs.	5%	12.5%
Ship Building	1. Identifiable fixtures, fittings and components	Free	12.5%
	2. Approved raw materials	Free	
Prawn Industry	Prawn Larvae	Free	12.5%
	Prawn feed		
	Pesticide		
	Fungicide		
	Lime		
	Formalin		

For further information, please contact:
 Phone: (679) 3301 551 Facsimile: (679) 3315 537
 e-mail: FIRCA-Policy&ResearchUnit@frca.org.fj Website: www.frca.org.fj