

INCENTIVES



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

Year of assessment	Percentage of export income to be deducted
2001 and 2002	100%
2003 and 2004	75%
2005 and 2006	50%
2007 and 2008	50%
2009 and 2010	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.

1 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	From 32% to 31%	From 32% to 31%
2005 - 2008	No Change – 31%	No Change – 31%
2009	From 31% to 29%	From 31% to 29%
2010	From 29% to 28%	From 29% to 28%

INVESTMENT ALLOWANCE

- 40% deduction for investment allowance can be claimed between 2001 and 2010 (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.
- 60% deduction for investment allowance can be claimed between 2009 and 2012 in respect of qualifying expenditure in Fixed Line Next Generation Network.
- "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.
- "Fixed Line Next Generation Network" refers to items listed under Part VIII B of the Income Tax (Allowance for Depreciation and Improvements) Instructions 1998.

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.
- 100% write-off is available for investment in Fixed Line Next Generation Network in the year 2009.

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 below.

2 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 and International Retiree Facilities.
- 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.

NEW SHORT LIFE INVESTMENT PACKAGE

- 10 year tax holiday for capital investments not less than \$7 million.
- Import duty exemption on all capital goods (including capital equipment, plant & machinery) not available in Fiji that is used in carrying out the investment.
- Short Life Investment Package (SLIP) Incentives is also available for retirement facilities and hospital resorts.

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 EXEMPTION

- 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	35% 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 Spent in country	Minimum spent 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\$8.75 million, so even if more than \$25 million spent in Fiji the maximum rebate is still F\$8.75 million: 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).

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.

Commercial Agriculture and Agro-Processing New Businesses from 2009 onwards

- The income of any new activity in commercial agricultural farming and agro-processing approved and established between 1 January 2009 to 31 December 2009 shall be exempt from tax as follows:-
 - Capital investment from \$250,000 to \$1,000,000, for a period of 4 consecutive years; or
 - Capital investment from \$1,000,000 to \$2,000,000, for a period of 7 consecutive years; or
 - Capital investment above \$2,000,000, for a period of 10 consecutive years.
- The income of any new activity in commercial agricultural farming and agro-processing approved and established from 1 January 2010 to 31 December 2014 shall be exempt from tax for 10 consecutive fiscal years with a capital investment of \$2,000,000 or more.

Existing Businesses in Vanua Levu

- 200% tax deduction of the amount of capital spent can be claimed by any existing legal entity in Vanua Levu that is engaged in commercial agricultural farming and agro-processing as approved by the Commissioner under Section 17(76). The incentive is only available to taxpayers:-
 - Who do not enjoy other incentives under the Income Tax Act;
 - The capital investment is more than \$250,000; and
 - For a period commencing 1 February 2009 and ending 1 March 2010.

Bio – Fuel Production

- 10 year tax holiday is available to a taxpayer undertaking a new activity in processing agricultural commodities into bio-fuels as approved by the Commissioner from 1 January 2009 to 31 December 2014. To qualify, the taxpayer must have:-
 - Minimum level of investment of \$1,000,000; and
 - Employ 20 local employees or more for every income year.
- Duty free importation of plant, machinery and equipment for initial establishment of the factory.
- Duty free importation of chemical required for bio-fuel production.

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).

Who will qualify for this incentive?

- This incentive is available to a newly incorporated entity engaged in a new trade, business or manufacture established in the following areas:-
 - Vanua Levu – includes Taveuni, Rabi, Kioa and other islands generally included for government's administrative purpose as being in the Northern Division.
 - Rotuma
 - Kadavu
 - Levuka
 - Lomaiviti; and
 - Lau
- Any company may apply to the Minister for Finance in a prescribed form for an operating license.

Criteria for Grant of License

- The company is a newly incorporated entity engaged in a new trade, business or manufacture.
- The minimum initial level of investment should be \$500,000 in 2009 and \$2,000,000 from 1 January 2010.

Tax Exemptions Available

- i) The income of any new activity approved and established between 1 January 2009 to 31 December 2009 shall be exempt from tax as follows:
- capital investment from \$500,000 to \$1,000,000, for a period of 5 consecutive fiscal years; or
 - capital investment from \$1,000,000 to \$2,000,000, for a period of 7 consecutive fiscal years; or
 - capital investment above \$2,000,000 for a period of 13 consecutive fiscal years.
- ii) The income of any new activity approved and established from 1st January 2010 shall be exempt from tax for a period of 13 consecutive fiscal years with an initial capital investment of \$2,000,000 or more.

Duty Exemption

Import duty exemption on the importation of raw materials, machinery and equipment (including parts and materials) in so far as they are required for the establishment of the business in the Tax Free Region.

Other benefits under the TFR:

- Additional 5 years of income tax exemption is available to any company granted a license and having indigenous Fijian landowner equity of at least 25 percent.
- Additional 7 years of income tax exemption is available to any hotel developer granted a license and having indigenous Fijian landowner equity of at least 25 percent.

- i) The income of an Information Communication Technology (ICT) operator operating in the declared Kalabu Tax Free Zone from 1 January 2007 to 31 December 2016 shall be exempt from tax for 10 years.
- Income tax exemption is available to ICT 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.
- ii) The income of an ICT operator anywhere outside the Kalabu Tax Free Zone who is granted a license between 1 January 2008 and 31 December 2010 shall be exempt from tax for 10 years.
- Any ICT operator may apply and pay a license fee of \$1,000 per annum to the Commissioner of Inland Revenue. The Tax exemption is granted from the date of the initial license.
 - Income tax exemption is available to ICT investors under the following criteria:-
 - Business employs 50 employees or more for any 6 months within the income year; and
 - 60 % of its total services is exported.
- iii) The income of any new operator who is granted a license from 1 January 2009 to be exempt from tax for a period of 13 years
- Any new operator may apply and pay a license fee of \$1,000 per annum to the Commissioner of Inland Revenue. The Tax exemption is granted from the date of the initial license.
 - Income tax exemption is available to investors under the following criteria:-
 - Business employs 50 employees or more for any 6 months within the income year; and
 - 50 percent of its total services is exported.
 - Duty free importation of computer, computer parts & accessories, plant, equipment & fittings, and specialised furniture for initial establishment to approved ICT/BOP Business operators from 1 January 2009.

Additional Tax Incentives for ICT Industries

- Tax Exemption is available to new ICT operators and existing ICT businesses for a period commencing 1 January 2006 to 31 December 2012.
- The exemption is available to ICT businesses employing more than 50 employees and investing before 31 December.
- Additional incentives to attract setting up of ICT industries includes:
 - 80% income tax exemption for businesses employing 101 or more employees;
 - 60% income tax exemption for businesses employing from 60 to 100 employees; and
 - 40% income tax exemption for businesses employing from 10 to 59 employees.

The incentives are applicable to existing businesses in Vanua Levu provided that there is an increased sale by 25% or more and 5 new persons are employed from 2006.

- The package entails the following: -
 - 300% Tax Deduction on Capital Expenditure until 31 December 2010
 - 100% Tax Exemption Export Incentive until 31 December 2010
- Vanua Levu also includes Taveuni, Rabi, Kioa and other islands generally included for government's administrative purpose as being in the Northern Division.

Food Processing & Forestry

- 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.

Renewable Energy Projects and Power Cogeneration

- 5 year tax holiday is available to a taxpayer undertaking a new activity in renewable energy projects and power cogeneration as approved by the Commissioner.
- Duty free importation of renewable energy goods is also available.

FIJI MY SECOND HOME PROGRAMME

- This Programme is open to citizens of other countries recognized by Fiji in the "Fiji My Second Home Programme" as administered by the Reserve Bank of Fiji.
- Interest income is exempt from tax under the following criteria:-
 - Age below 50 years old:
 - Minimum deposit of \$300,000 and maintain the deposit in Fiji for a minimum of two years.
 - Age 50 years and above::
 - Minimum deposit of \$200,000 and maintain the deposit in Fiji for a minimum of two years.
- To qualify the applicant must maintain a minimum balance of \$100,000 from the third year onwards and throughout the entire stay in Fiji.

FOREIGN CURRENCY ACCOUNT SCHEME

- Interest income is exempt from tax which accrues to or in favor of a non-resident including former Fiji residents who hold funds in Fiji commercial bank accounts under the following criteria:-
 - For foreign currency accounts, interest income for deposit above the equivalent of FJD\$300,000;
 - For Fiji Dollar accounts, any amount of interest income.

OTHER INCENTIVES

- Employment Taxation Scheme – 150% of the salary and wages paid within 1 January 1997 and 31 December 2010 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.
- Donation to the Fiji International Film Festival – 200% tax deduction is available for cash donations exceeding \$30,000 made by a taxpayer between 1 January 2009 and 31 December 2010 to the Fiji Audio Visual Committee towards the organization and sponsorship of the "Fiji International Film Festival".
- Miss South Pacific Pageant 2009 – 200% tax deduction is available for cash donations exceeding \$50,000 made by a taxpayer in 2009 to the Hibiscus Committee towards the organization and sponsorship of the "Miss South Pacific Pageant 2009".

OTHER CUSTOMS CONCESSIONS

Industry	Items	Fiscal	VAT (%)
Sugar	Cab & chassis specifically for carting sugar cane.	5%	12.5
Fishing	1. Automotive Diesel Oil	2cents /litre	12.5
	2. Specialised fishing gear & equipment	Free	12.5
	3. Fish baits	Free	12.5
	4. Specialised fishing vessels	Free	12.5

Industry	Items	Fiscal	VAT (%)
Approved Operators Engaged in 100% Export	1. Sharks Fin	Free	12.5
	2. Live Fish	Free	12.5
	3. Live corals	Free	12.5
	4. Food Supplementary	Free	12.5
	5. Fish sauce and Fish	Free	12.5
Bus Industry	1. New chassis fitted with engine for body building purposes & new engines for replacements of older engines	Free	12.5
	2. Identifiable fixtures and components	5%	12.5
	3. Fuel	18 cents per litre rebate on ADO	12.5
	4. Ticketing machines and ticketing machine parts	Free	12.5
Inter Island Shipping	1. Automotive Diesel Oil & Industrial Diesel Oil	Free	12.5
	2. Mooring ropes between 56mm to 76mm in diameter	5%	12.5
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	Free	12.5
	Pesticide	Free	12.5
	Fungicide	Free	12.5
	Lime	Free	12.5
Mining Industry (New)	1. Capital, plant and equipment except hand tools of a kind of general-purpose item.	Free	12.5
	2. Motors Vehicles and specialized mining mobile equipment (except parts & accessories)	Free	12.5
Coachwork builders	1. New chassis fitted with engine for body building purposes	Free	12.5
	2. Identifiable fixtures and components	5%	12.5

Disclaimer

These incentives are available as at 1st March 2009. For their availability and application, please contact FIRCA Policy and Research Unit:

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