

2005 BUDGET

SUMMARY OF REVENUE POLICIES

INCOME TAX AND VAT

- ◆ Increase in **tax threshold** from \$7,500 to **\$8,840**;
- ◆ **\$200 allowance each for two elderly dependents** who are 70 years old or medically incapacitated. Any dependent deriving income will not be entitled for the \$200 allowance. ;
- ◆ **Provisional Tax**:-
 - Increase threshold to \$300;
 - To be replaced by a simple system; and
 - Due dates to be aligned with PAYE and VAT;
- ◆ Introduction of a **reporting system for Real Estate Agents**. Mandatory annual reporting system detailing clients gross rent collected and amount disbursed to clients after expenses.
- ◆ **Exclusion of legal privilege** in the pursuance of tax matters and recoveries by FIRCA;
- ◆ **Advance Assessments** provisions – to allow tax assessments in advance;
- ◆ **Presumption as to joint accounts** – provision to be created that the holders of a joint account at a bank hold equal shares;
- ◆ **Notification of arrival, departure and liability to tax of taxpayers**;
- ◆ **Departure Prohibition Order (DPO)**;
 - Insertion of a penalty provision to the DPO; and
 - To be inserted to other legislations (GTT Decree and VAT Decree) and to authorized officers and directors of companies indebted to tax;
- ◆ **Secrecy provisions** – to allow exchange of information with other law enforcement agencies;
- ◆ **Introduction of section 31 of the VAT Decree into the Income Tax Act** – Liability of new companies for tax payable by former companies with substantially same shareholders under the same control;
- ◆ **Company Directors** – liability of directors of private controlled companies. Directors to be held responsible to company's debt;
- ◆ **Insert a provision to treat transfer of property by private companies to shareholders and associates as dividends**;
- ◆ **Correlation between section 11(b) and 21(1)(i) of the Income Tax Act**. Expenditure pursuant to an obligation to effect improvements is not currently caught by section 11(b);
- ◆ Reinstatement of world total income in **section 31** of the Income Tax Act;
- ◆ **Additional assessments**: contrasts of section 48 of the VAT Decree with section 59 of the Income Tax Act. A more relevant power to make additional assessment exists in the VAT Decree;
- ◆ **Aligning section 66 of the VAT Decree with the Income Tax Act**. The VAT Decree contains a provision that tax paid in excess may be set-off against additional tax where an assessment is reopened. Similar provision to be inserted in the Income Tax Act;
- ◆ **Aligning section 65(8) of the VAT Decree with the Income Tax Act**. No refunds shall be payable where a registered person or his representative does not comply to the request of additional information, documents, etc by the Commissioner;

2005 BUDGET REVENUE POLICIES – TAX AND CUSTOMS

- ◆ **Provisions in the Provisional Tax Legal Notice be inserted into section 83 of the Income Tax Act;**
- ◆ **Deregistration of companies** – FIRCA to approve, certificate issued as evidence of approval. Deregistration has frequently proved an obstacle to tax collection in the past. The “collapsing” of companies subsequently to same incurring substantial unpaid tax liabilities is a frequent occurrence;
- ◆ Introduce a regime for **Small and Medium businesses** to improve FIRCA's administration. FIRCA is committed to implement a regime that caters for the small and medium business. This will bring about simplicity and ease of administration. The details of legislative framework, threshold requirements, etc are still being finalized;
- ◆ **Exempt distribution of dividend from Fijian Holdings Unit Trust and Colonial Unit Trust.** To encourage distribution of wealth amongst local resident. The Fijian Holdings and Colonial Unit Trust were formed to encourage participation of individuals in owning shares. The distribution of dividends from the two entities to shareholders is exempt from tax;
- ◆ **Introduce tax exemption status to the Fiji Institute of Directors.** The Fiji Institute of Directors is a non-profit organization. The request for exemption was supported based on the undertaking that the Institute will not partake in any trading activity. This is consistent with other decisions made by Government on non-profit and charitable organizations;
- ◆ **Tax deduction of 150% for each dollar of direct expenditure to ANZ and other commercial banks in their individual rural banking programmes.** For capital expenditure, the claim will be either 150% deduction upfront on purchasing of capital assets or annual depreciation. For the purpose of this provision, rural banking means providing banking services in the outer islands and outside of town and city boundaries;
- ◆ **Distress of Goods** (section 75A of Income Tax Act and 63A of the VAT Decree) – reflect distressing of goods by the Temporary Closure of Business;
- ◆ Amendment to **section 50 of the Income Tax Act** to allow retention and to confiscate documents;
- ◆ **Hotels Aid Act** amendments:-
 - ◆ **Short Life Investment Package (SLIP)** extended to 31 December, 2008;
 - ◆ Extension of SLIP to accommodate **Villa Developers**;
 - ◆ **International Retiree Facilities** to enjoy 55% Investment Allowance
- ◆ **150% tax deduction to Fiji Heritage Foundation.** Allow 150% tax deduction on donations to Fiji Heritage Foundation. The protection and development of Fiji's heritage can be viewed as investment in Fiji's in its assets. Heritage sites contribute greatly to eco-tourism diversity and promote economic growth;
- ◆ Extension of **Employment Taxation Scheme** (150% tax deduction) from 2004 to 2008 (section 21(1)(r));
- ◆ Extension of **40% Investment Allowance** (section 21C of the Income Tax Act) to 2008;
- ◆ Interest withholding on loan (**Cotonou Agreement**) to be tax exempt;
- ◆ Amendment to the section 21(1)(n) of the Income Tax Act **to increase threshold from \$50,000 to \$100,000 for cash donations to charitable organizations;**
- ◆ **Review of 2001 Investment Package** – to target specific industries such as ICT; and
- ◆ **VAT First Dwelling house refund** – increase the expenditure threshold from \$50,000 to \$90,000.

2005 BUDGET SUMMARY OF REVENUE POLICIES

CUSTOMS

♦ Tariff changes are tabulated below;

Table 1: 2005 Tariff Changes

Policy	DESCRIPTIONS
Chemical Pesticides	Increase fiscal duty from 3% to 27%
Tubes used on motor vehicles	Increase fiscal duty from 15% to 27%
Second Hand Motor Vehicles	Fiscal specific rates to be increased by \$500 per unit
Aerial and aerial reflector of all kinds	Reduce fiscal duty from 27% to 3%
Mosquito Destroyer Vape Mat	Reduce fiscal duty from 27% to 15%
Oil, air and fuel filters for internal combustion engines for motor vehicle	Reduce fiscal duty from 3% to 0%
Chocolate-coated products attract two rates of duty. Chapter 18 15% & 12.5% Chapter 19 27% & 12.5%	Create a subdivision in chapter 19 & 1905 to cater for wafers coated with chocolate
Structures and parts of structures of iron or steel	Introduce Specific rates to be 27% or \$2.50 per kg whichever is the greater
Nylon Ropes	Introduce fiscal specific rates to be 27% or \$2.00 per kg whichever is the greater
Passenger Allowance under code 218 part 3 of the Customs tariff Act	Passenger allowance is maintained at 250 sticks of cigarettes and allowance on alcohol increase to 2.25 litres from 2 litres. Similarly Wine and Beer increased to 4.5 litres from 2 litres. Any combination of Beer and Wine provided the total quantity does not exceed 4.5L
Knitted Fabric	Include tariff headings 6002,6003,6004,6005,6006 except item 6001 in Code 117 (11)
Containers and other packaging material	Concessionary rate to increase from 0-3%. Under Code 231
Printing Error	Code 218 is not printed in column 1 (printing error)
Temporary Importers Under Code 228 of Customs tariff Act	Deleting temporary importers and substituting with the word "Bona Fide tourist"
A private individual allowance- Code 212 Part 3 of the Customs Tariff	Allowance to increase given under Code 212(private individual) from \$200 to \$400 to re-align allowance given under 218 (landing passengers)

2005 BUDGET REVENUE POLICIES – TAX AND CUSTOMS

- ◆ Excise changes are tabulated below;

Table 2: 2005 Excise Rates

DESCRIPTION	2004 RATES	2005 RATES
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or less	\$1.18/litre	\$1.23/litre
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or more	\$1.38/litre	\$1.44/litre
Potable Spirit Not Exceeding 57.12 GL	\$26.10/litre	\$27.14/litre
Potable Spirit Exceeding 57.12 GL	\$45.69/litre of alcohol	\$47.52/litre of alcohol
Wine:		
Still	\$1.85/litre	\$1.92/litre
Sparkling	\$2.10/litre	\$2.18/litre
Other fermented beverages:		
Still	\$1.85/litre	\$1.92/litre
Sparkling	\$2.10/litre	\$2.18/litre
Ready to Drink Mixtures of Any Alcoholic Beverages of any Alcoholic Strength by volume of 11.49% or less	\$0.85/litre	\$0.88/litre
Cigarettes from local tobacco by 3.20cents per 10 sticks	80.20 cents	83.40cents
Cigarette from imported tobacco by 4.81 cents per 10 sticks	120.30 cents	125.11cents
Manufactured tobacco containing tobacco grown outside Fiji	\$69.32/kg	\$72.09/kg
Manufactured tobacco containing tobacco grown in Fiji	\$40.71/kg	\$42.34/kg
Manufactured tobacco containing tobacco grown in foreign and tobacco grown in Fiji:		
Foreign portion	\$69.32/kg	\$72.09/kg
Local portion	\$40.71/kg	\$42.34/kg

2005 BUDGET REVENUE POLICIES – TAX AND CUSTOMS

- ◆ Fiscal Rate due to Excise changes (refer table below); and

Table 3: 2005 Fiscal Rate Changes due to Excise Changes

DESCRIPTION	2004 RATES	2005 RATES
Beer and Stout of an alcoholic strength by volume 3% volume or less	\$1.85/litre	\$1.92/litre
Beer and Stout of an alcoholic strength exceeding 3% by volume	\$2.50/litre	\$2.60/litre
Liqueurs exceeding 11.49% but not exceeding 57.12% of volume	\$39.21/litre	\$40.78/litre
Liqueurs exceeding 11.49% or less by 6 cents per litre	\$1.55/litre	\$1.61/litre
Liqueurs exceeding 57.12%	\$68.66/litre of alcohol	\$71.41/litre of alcohol
Spirituos beverages exceeding 11.49GL but not exceeding 57.12% of volume	\$39.21/litre	\$40.78/litre
Spirituos beverages exceeding 57.12%	\$68.66/litre of alcohol	\$71.41/litre of alcohol
Other fermented beverages of alcoholic strength exceeding 1.15% by volume but not exceeding 6% by volume	\$2.38/litre	\$2.48/litre
Other fermented beverages of alcoholic strength exceeding 6% by volume	\$3.82/litre	\$3.97/litre
Still Wine of alcoholic strength exceeding 1.15% by volume	\$3.46/litre	\$3.60/litre
Sparkling Wine of alcoholic strength exceeding 1.15% by volume	\$3.90/litre	\$4.06/litre
Alcoholic preparations of a kind used in the manufacture of various alcoholic beverages of an alcoholic strength by volume exceeding 11.49% by volume but not exceeding 57.12% by volume	\$39.21/litre	\$40.78/litre
Alcoholic preparations of a kind used in the manufacture of various alcoholic beverages of an alcoholic strength by volume exceeding 57.12% by volume	\$68.66/litre of alcohol	\$71.41/litre of alcohol
Unmanufactured tobacco ¹	\$56.36/kg	\$125.11/kg
Manufactured tobacco	\$77.44/kg	\$79.76/kg
Cigar, cheroots and cigarillos	\$77.44/kg	\$80.54kg
Cigarettes	\$127.53/kg or 1,000 cigarettes which ever is greater	\$132.63/kg or 1,000 cigarettes which ever is greater

- ◆ Customs Fees and Charges – Introduction of service fees on fuel loaded on board in ship bunkers.

ENDS

¹ Aligns Fiscal import duty rate with Excise rate on Manufactured Cigarettes