

## 2007 BUDGET SUMMARY OF REVENUE POLICIES

### INCOME TAX AND VAT

- ◆ Increase in VAT rate from 12.5% to **15%**
  - Excluding essential food items such as edible oil, tin fish, rice, flour and sharp, tea, powdered milk and kerosene for domestic use, which is zero-rated.
- ◆ Increase in tax threshold from \$8,840 to **\$10,000**.
- ◆ Export Income Deduction to remain at 50% in 2007.
- ◆ Information Communication Technology (ICT)
  - Part of Kalabu Tax Free Zone will be declared as an ICT Zone.
- ◆ General Entertainment expenses
  - To prevent abuse by company directors and company executives, general entertainment expenses will be reduced by 50%. Others that are incurred wholly and exclusively for the purpose of trade will still be allowed.
- ◆ Changes to Depreciation Instructions
  - Depreciation for company passenger vehicles will be disallowed.
- ◆ Rental Income Reporting System
  - To improve compliance, Section 47A of the ITA to be amended to include real estate income, that is income derived from sale of properties apart from the normal rental income as well as the insertion of a penalty provision for failure to abide by the requirements.
- ◆ Definition of "persons" in Section 54A of the ITA
  - Definition of person in section 54A of the Income Tax Act to be aligned to the definition in the VAT Decree i.e. includes a company, an association or body of persons, corporate or unincorporate, a local authority, and a public authority.
- ◆ Fiji residents working at regional organizations based in Fiji will be taxed at normal rate.
- ◆ Health Assistance
  - **150% tax deduction** for donations not less than \$10,000 to government hospitals and health facilities for refurbishment and repair purposes.
- ◆ Deduction for Group Insurance Scheme
  - Health Care benefits and group life insurance benefits should be deductible to the employers and also exempt from income tax to the employees. In terms of exemption (on such benefit) to employees, it will only apply to those employees currently earning not more than \$30,000 a year.
- ◆ Electricity/ Power Supply
  - Exemption of VAT on the surcharge portion of the electricity bill to cushion the impact of surcharge on residential users;
  - **100% tax deduction** for individual residential taxpayers on the installation of solar units and energy efficient customer premises equipment for renewable energy projects.
- ◆ Payment of tax liability at post offices
  - Payment of tax liability at Post Offices to improve customer services and revenue collections

## 2007 BUDGET REVENUE POLICIES – TAX AND CUSTOMS

### HOTEL TURNOVER TAX ACT

- ◆ **Due date for payment of Hotel Turnover Tax**
  - For ease of administration to both hoteliers and FIRCA, the due date for payment to be aligned with the VAT Decree requirements.
- ◆ **Definition of accountable persons** in HTT Act to be amended to include directors of companies.
- ◆ **Record keeping** - HTT Act to include 7 years record keeping requirements.
- ◆ **Refunds or payment of liability** - \$5 dollar refund to be ignored and not be considered for payment or refund in relation to HTT.
- ◆ **Provision for offsetting other tax refund against HTT liability** – to be consistent with Income tax Act, VAT and GTT.
- ◆ **Compounding Offence** - Section 5(7) of HTT Act to be amended to not only cover payment of HTT but to relate to any other provision of the HTT Act.

### CUSTOMS ACT

- ◆ **Supply Chain Security**
  - Putting legislative changes to strengthen the new initiative.

### CUSTOMS TARIFF ACT

POLICY	DETAILS
<b>1. Short Term Investment Package (STIP)</b>	The incentive, which was introduced in 2001 specifically for one year, will be discontinued in 2007.
<b>2. Restructuring of tariff bands</b>	This is to rectify anomalies that currently exist and align it with goods of the same sort. The following goods will be imposed duty of 3%: <ul style="list-style-type: none"> <li>◆ Perfumes, beauty or make-up preparations and shaving preparations and others of heading 3303,3304,3305,3307</li> <li>◆ Goldsmiths and silversmiths wares</li> <li>◆ Watches of heading 9101 and 9102</li> </ul>
<b>3. Removal of Concession</b>	Removal of Code 123 in Part II of the Tariff Schedule.
<b>4. Plant, Machinery &amp; Equipment</b>	Fiscal duty of 3% to be imposed.
<b>5. Excise</b>	<ul style="list-style-type: none"> <li>▪ Increase in Excise duty based on CPI (3%).</li> </ul>
<b>6. Import Excise</b>	<ul style="list-style-type: none"> <li>• Increase in import excise duty of items currently under 5% to 10% with the exception of refrigerators and freezers.</li> <li>• Increase import excise of other non-luxury items from 5% to 10%.</li> <li>• Increase in import excise duty of sin goods and motor vehicles from 10% to 15%.</li> </ul>
<b>7. Assistance to Taxi Industry</b>	Extension of 100% duty free concessions on LPG cars for taxis for another 12 months. This will be reviewed in 2007.
<b>8. Protection of Local Industry</b>	To protect the local industry and encourage local production, duty rate of 27% will be levied on the following items: <ul style="list-style-type: none"> <li>- P.V.C Flexible tubes</li> </ul>

## 2007 BUDGET REVENUE POLICIES – TAX AND CUSTOMS

POLICY	DETAILS
	<ul style="list-style-type: none"> <li>- Cheese (bulk)</li> <li>- Cheese (retail package)</li> <li>- Dairy Cream</li> <li>- Yogurt</li> <li>- Prawns whether or not frozen</li> <li>- Meat of swine, fresh, chilled or frozen</li> <li>- Meat of goat, fresh, chilled or frozen</li> <li>- Tomatoes</li> <li>- Cauliflower</li> <li>- Cabbage</li> <li>- Lettuce</li> <li>- Carrot</li> <li>- Peas, Beans</li> <li>- Capsicum</li> <li>- Eggs</li> </ul>
	<p style="margin-right: 20px;">} <i>Fresh or chilled</i></p>

♦ **Tariff changes** are tabulated below;

**Table 1: 2007 Tariff Changes**

Policy	DESCRIPTIONS
Prawns whether or not frozen	Increase fiscal duty from 15% to 27%
P.V.C flexible tubes	Increase fiscal duty from 3% to 27%
Meat of swine, fresh, chilled or frozen	Increase fiscal duty from 15% to 27%
Meat of goat, fresh, chilled or frozen	Increase fiscal duty from 3% to 27%
Tomatoes	Increase fiscal duty from 15% to 27%
Cauliflower	Increase fiscal duty from 3% to 27%
Cabbage	Increase fiscal duty from 3% to 27%
Lettuce	Increase fiscal duty from 15% to 27%
Carrot	Increase fiscal duty from 3% to 27%
Peas, Beans	Increase fiscal duty from 3% to 27%
Capsicum	Increase fiscal duty from 3% to 27%
Eggs	Increase fiscal duty from 15% to 27%
Cheese (bulk)	Increase fiscal duty from 3% to 27%
Cheese (in retail package)	Increase fiscal duty from 15% to 27%
Milk Cream (Bulk)	Increase fiscal duty from 15% to 27%
Yogurt (Bulk)	Increase fiscal duty from 15% to 27%

## 2007 BUDGET REVENUE POLICIES – TAX AND CUSTOMS

♦ **Import Excise changes** are tabulated below;

**Table 1: 2007 Import Excise Changes**

Policy	DESCRIPTIONS
<b><i>Goods Manufactured Locally</i></b> <ul style="list-style-type: none"> <li>- powders of preparations for making beverages</li> <li>- cement and clinkers</li> <li>- steel mesh and fencing wires</li> <li>- Electronic accumulators</li> <li>- Electric cables</li> <li>- Furniture</li> <li>- Mattress</li> <li>- Aluminium kitchenware (pots)</li> <li>- Footwear</li> <li>- Water</li> <li>- Carbonated drinks</li> <li>- Steel pipes and tubes</li> <li>- Sawn timber</li> </ul>	Increase import excise from 5% to 10%
<b><i>White Goods</i></b> <ul style="list-style-type: none"> <li>- Washing Machine</li> <li>- Television</li> <li>- Microwave</li> <li>- Vacuum Cleaner</li> <li>- Hair Dryer</li> <li>- Coffee Maker</li> <li>- Turn Table</li> <li>- Tape recorders</li> <li>- Video Monitors and video projectors</li> <li>- DVD player</li> <li>- Video cameras and cameras – photographic</li> <li>- Air Conditioners</li> <li>- Fans</li> <li>- Dish Washing machines and dryers</li> </ul>	Increase import excise from 5% to 10%
<b><i>Others currently at 5%</i></b> <ul style="list-style-type: none"> <li>- Musical instruments</li> <li>- Piano</li> <li>- Keyboard</li> <li>- SPA bath</li> <li>- Swimming pool</li> <li>- DVD and CD (blanks)</li> <li>- Leather goods including shoes</li> <li>- Pools tables, Roulettes and other tables for games of chance including machines for games of chance and other articles and accessories.</li> </ul>	Increase import excise from 5% to 10%
<b><i>Motor Vehicles</i></b> <ul style="list-style-type: none"> <li>- Used motor vehicles</li> <li>- New motor vehicles</li> </ul>	Increase import excise from 10% to 15%
<b><i>Sin Goods</i></b> <ul style="list-style-type: none"> <li>- Tobacco Extracts</li> <li>- Manufactured Tobacco</li> <li>- Wines and Spirits</li> </ul>	Increase import excise from 10% to 15%

**ENDS**