



INCENTIVES

2006 & 2007 Budget Amendments
 Vanua Levu Tax Incentives
 2001 Investment Package
 Hotel Industry Incentives
 Audio Visual Incentives
 Other Industry Incentives

2007 Budget Amendments (Selected)

- **Export Income Deduction** to remain at 50% in 2007.
- **Information Communication Technology (ICT)** - The Kalabu Tax Free Zone will be declared as an ICT Zone. Ten years tax holiday will be available to investors under the following criteria:
 - The ICT business must be located in the Kalabu ICT Economic Free Zone;
 - Business employs more than 100 employees; and
 - 60 percent of its sales is exported.
- **Supply Chain Security** - Enactment of Supply Chain Security Legislation that includes the legislative changes to reduce storage period of goods in the bonded warehouse from three years to twelve months.

2006 Budget Amendments (Selected)

- **Small and Micro Enterprises (SME's)**
 Income tax exemption to be applicable to selected sectors with maximum turnover threshold of \$200,000. The sectors include:
 - ◆ Agriculture and Fishing (Sugarcane Farmers; Coconuts; Rice; Ginger; Yaqona; Fishing; Raising Livestock; Vegetable 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).
- **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.

- **ICT Incentives** – 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.
- 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.
- Zero-rating of VAT on 6 basic food items: edible oil, tin fish, rice, flour and sharp, tea, powdered milk and kerosene.
- Introduction of Hotel Turnover Tax of 3% on cost of accommodation, refreshment and other charges that would appear on hotel guest's bill.
- Introduction of Import excise on selected goods.

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: -
 - (a) Information Communication and Technology;
 - (b) Agriculture;
 - (c) Forestry;
 - (d) Mining; and
 - (e) 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.

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% |

- ◆ 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: -
 1. an agricultural, forestry or marine resources business;
 2. an information technology business; or
 3. 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 below.

| 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 | 25% |
| 2009 and every year thereafter | 0% |

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 3% 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 extended to 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.
- ◆ Profits derived from subdivision and sale of land to be exempt from tax until 31/12/2008.
- ◆ Short Life Investment Package (SLIP) Incentives is available for retirement facilities and hospital resorts.
- ◆ No investor will be allowed both Part I and Part II of the Hotels Aid Act.

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 <i>in Fiji</i> : 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 <i>will not</i> be able to obtain any other tax concessions under Parts II and III of <i>Sixth Schedule</i> : paragraph 65-5(2). |
|------------|--|

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 | Free | 12.5% |
| | 4. Live corals | Free | 12.5% |
| | 5. Food | Free | 12.5% |
| | 6. Supplementary Fish sauce and Fish | Free | 12.5% |
| | Bus | 1. Tyres | \$25 per tyre size 825x20 \$35 per tyre size 900x20 \$50 per tyre size 1000x20 \$50 per tyre size 1100x20 |
| | 2. New chassis fitted with engine for body building purposes & new engines for replacements of older engines | Free | 12.5% |
| | 3. Identifiable fixture | 5% | 12.5% |
| | 4. Fuel | 18 cents per litre rebate on ADO | |
| 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 materials raw | Free | |
| Prawn Industry | Prawn Larvae Prawn feed Pesticide Fungicide Lime Formalin | Free | 12.5% |

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