

2012 BUDGET REVENUE POLICIES – TAX AND CUSTOMS

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2012 BUDGET SUMMARY OF REVENUE POLICIES

INCOME TAX ACT (ITA)

◆ Corporate Tax Rate

- The corporate tax rate will be reduced from 28% to 20%.

◆ PAYE Tax Rates

- Income tax threshold will be increased from \$15,000 to \$15,600
- The marginal income tax rate for lower band will be reduced from 25% to 7%; the rate for middle income tax band will be reduced from 31% to 18%, and the income tax marginal rate for the top band will be reduced from 31% to 20% in line with the corporate tax rate
- A Social Responsibility Levy will be applied on full chargeable income, starting at 23% for income tax band \$270,001 to \$300,000
- The levy rate will increase by 1% for every income tax band thereafter.

Chargeable Income (\$)	Tax Payable (\$)	Levy
0-15,600	Nil	
15,601 – 22,000	7% of excess over \$15,600	
22,001– 50,000	448 +18% of excess over \$22,000	
50,001 – 270,000	5488 +20% of excess over \$50,000	
270,001 - 300,000	49, 488 + 20% of excess over \$270,000	23%
300,001 - 350,000	55, 487 +20% of excess over \$300,000	24%
350,001 - 400,000	\$65, 487 + 20% of excess over \$350,000	25%
400,001 - 450,000	\$75, 487 + 20% of excess over \$400,000	26%
450,001 – 500,000	\$85, 487+ 20% of excess over \$450,000	27%
500, 001 – 1,000,000	\$95, 487 + 20% of excess over \$500,000	28%
1,000,001 +	\$195, 486 + 20% of excess over \$1,000,000	29%

◆ South Pacific Stock Exchange (SPSE) Incentives

- The 40 percent local equity requirement for foreign incorporated companies listed on the SPSE will be removed.

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- ◆ **Accelerated Depreciation**
 - This incentive will be extended to 2014.
- ◆ **40% Investment Allowance**
 - A 40% Investment Allowance (excluding cost of labor) for extension and renovation expenses will be introduced with a minimum qualifying capital expenditure of \$50,000. This will only be made available to existing businesses in Vanua Levu.
- ◆ **Advance Company Tax**
 - Effective from 2012, advance payment of tax by companies will be increased from 33% to 90% by the end of the current fiscal year.
 - 30% to be paid in June; 30% to be paid in September; and 30% to be paid in December, while the remaining 10% is to be paid in February the following year.
- ◆ **Removal of Housing Interest Allowance**
 - The \$400 interest allowance on housing normally deductible under the PAYE tax computation will be removed.
- ◆ **Tax Deduction on FNPF Employer Contribution**
 - Tax deduction to Employers for Employee FNPF contributions only be allowable up to 50%.
- ◆ **Carried Forward of Business Losses**
 - All carried forward of losses to be reduced to 4 years.
- ◆ **Fringe Benefits Tax**
 - A new fringe benefit tax regime will be introduced at a rate of 20% in 2012.
 - Employers will be responsible for paying and remitting to FRCA the relevant amount.
- ◆ **Transfer Pricing**
 - Section 34 of the ITA to be amended to provide for the introduction of the Income Tax (Transfer Pricing) Regulations in 2012.
- ◆ **Buying and Selling of Shares for Properties in Fiji**
 - A foreign company which owns land or assets in Fiji cannot transfer ownership of the subject land or assets by way of sale of shares unless sale of those shares are approved by FRCA.

OTHER TAXES

- ◆ **Hotel Turnover Tax (HTT)**
 - The Hotel Turnover Tax(HTT) will be renamed as **Service Turnover Tax (STT)**
 - The new STT will also apply to other tourism related services:
 - rental car operators;
 - in-bound tour operators;
 - events management operators;
 - recreation, entertainment and cinema operators;

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- bars and night-clubs;
- bistros, coffee shops & restaurants with annual gross turnover of \$1.5 million and above;
- All water sports, underwater activities, skydiving, hot air balloon rides, river safaris, aircraft charter or hire, including helicopters with annual gross turnover in excess of \$300,000; and
- home stay operators.

◆ Departure Tax

- The departure tax will be increased from \$100 to \$150.

VALUE ADDED TAX DECREE

◆ Value Added Tax (VAT) Threshold

- For registration purposes, VAT threshold will increase from \$50,000 to \$100,000.

◆ Small and Micro Enterprises (SME)

- SMEs will be required to lodge only one VAT return in a year.
- This will be applicable only to entities with gross annual turnover of \$300,000 and below.

◆ VAT Dwelling House

- Reinstate repealed Section 70(2) of the VAT Decree to effect the re-introduction of VAT dwelling house claims
- The expenditure threshold for VAT dwelling house is \$120,000 is applicable.
- This includes construction of first time residential housing and excludes renovations.

◆ VAT Refund

- FRCA and Ministry of Finance to expedite payment of VAT refunds.

CUSTOMS TARIFF ACT (CTA)

Table 1: 2012 Fiscal Duty Changes

Items	Fiscal Duty
1. Canned Fish	♣ Increase Fiscal Duty from 15% to 32%.
2. Electrical Mounting Blocks	♣ Increase Fiscal Duty from 5% to 15%.
3. Exercise Books	♣ Increase Fiscal Duty from 15% to 32%.
4. Imported cigarettes and alcohol	♣ Increase Fiscal Duty by 3%.
5. Blank DVDs and CDs	♣ Introduce a specific duty rate of \$1 on blank CDs & DVDs.
6. Palm Oil	♣ Increase Fiscal Duty from 15% to 32%.
7. Mono Sodium Glutamate	♣ Increase Fiscal Duty from 5% to 32%

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Items	Fiscal Duty
8. Machinery used in the manufacture of goods	♣ Reduce Fiscal Duty to 0%.
9. Knitted fabrics	♣ Reduce Fiscal Duty from 32% to 5%.
10. New road tractors for semi trailers of heading 8701 and trailers of heading 8716	<ul style="list-style-type: none"> ♣ Reduce Fiscal Duty from 32% to 5% excluding agricultural tractors, which is 0%; ♣ Includes prime-movers; and ♣ Self loading and other trailers for transport of goods.
11. New trucks (goods vehicles) of gross vehicle weight exceeding 3 tonnes	♣ Reduce Fiscal Duty from 32% to 5%.
12. New special type vehicles of heading 8705	♣ Reduce Fiscal Duty from 32% to 5%.
13. Fruits and Vegetables not grown or produced in Fiji	♣ Reduce Fiscal Duty from 32% to 5%
14. Raw materials (Manufacturers outside of Viti Levu)	♣ Reduce Fiscal Duty on raw materials to 0% for all manufacturers based outside of Viti Levu.
15. Chicken mesh hexagonal wire netting	♣ Reduce Fiscal Duty from 32% to 5%.
16. Musical Instruments	♣ Reduce Fiscal Duty from 5% to 0%.
17. Sports Equipment under heading 9506	<ul style="list-style-type: none"> ♣ Reduce Fiscal Duty from 5% to 0%. ♣ This includes energy supplements-beverages in liquid and powder form.
18. Agricultural Inputs	<ul style="list-style-type: none"> ♣ Reduce Fiscal Duty to 0%. ♣ Seeds of a kind for sowing of heading 12.09, insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth regulators, pure-bred breeding animals falling under heading 0101, 0102, 0103 and 0104.

Table 2: 2012 Import Excise Changes

Policy	Description
1. New trucks (goods vehicles) of gross vehicle weight exceeding 3 tonnes	♣ Reduce Import Excise Duty from 15% to 5%
2. Musical Instruments	♣ Reduce Import Excise from 10% to 0%.
3. Nails	♣ Impose 10% Import Excise.
4. Nylon ropes	♣ Impose 15% Import Excise.

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Table 3: 2012 Local Excise Changes

POLICY	DESCRIPTION
1. Cigarettes, tobacco and alcohol	♣ Increase current excise duty by 3%.

Table 4: 2012 Excise Rates

DESCRIPTION	2011 RATES	2012 RATES
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or less	\$1.39/litre	\$1.43/litre
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or more	\$1.62/litre	\$1.67/litre
Potable Spirit Not Exceeding 57.12 GL	\$30.54/litre	\$31.46/litre
Potable Spirit Exceeding 57.12 GL	\$53.49/litre	\$55.09/litre
Wine: Still	\$2.16/litre	\$2.22/litre
Sparkling	\$2.46/litre	\$2.53/litre
Other fermented beverages:		
Still	\$2.16/litre	\$2.22/litre
Sparkling	\$2.46/litre	\$2.53/litre
Ready to Drink Mixtures of Any Alcoholic Beverages of any Alcoholic Strength by volume of 11.49% or less	\$1.00/litre	\$1.03/litre
Cigarettes from local tobacco per 10 sticks	93.86 cents	96.68 cents
Cigarette from imported tobacco per 10 sticks	140.81 cents	145.03 cents
Manufactured tobacco containing tobacco grown outside Fiji	\$81.13/kg	\$83.56/kg
Manufactured tobacco containing tobacco grown in Fiji	\$47.66/kg	\$49.09/kg
Manufactured tobacco containing tobacco grown in foreign and tobacco grown in Fiji:		
Foreign portion	\$81.13/kg	\$83.56/kg
Local portion	\$47.66/kg	\$49.09/kg

Table 5: Amendments to Part II of the Customs Tariff Act

Policy	Description
1. Code 117(ii) [Knitted fabric accepted by the Comptroller as not being manufactured in Fiji to a specification which he considers reasonable (Heading 3002, 6003, 6004, 6005 and 6006)]	♣ Delete the content of Code 117(ii) in line with reduction in fiscal duty from 32% to 5% for knitted fabrics

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Table 6: Amendments to Part III of the Customs Tariff Act

Policy	Description
1. Creation of codes in Part III of the Tariff	♣ Creation of codes in Part III of the Tariff to accommodate certain goods currently approved under Section 10 - existing requirements and qualifying conditions will apply.

OTHER CUSTOMS CHANGES

Table 7: Legislative Changes

Policy	Description
1. Garnishee Bank Accounts for Duty owed	♣ To recover duty owed, a garnishee order will be issued on the Importer's bank account or joint account, provided the source of income in joint account is determined to be the income of the Importer only and not the other party to the joint account.

CHANGES TO SECTION 10 CONCESSIONS

Table 8: Section 10 Changes

POLICY	DESCRIPTION
1. Palm Oil	❖ Remove Section 10 concession
2. Styrofoam lunch boxes	❖ Remove Section 10 concession
3. Tubes, bulbs used for motor vehicles, torches and flash lights	❖ Remove Section 10 concession
4. Duty rate on agricultural machinery and equipment	♣ Agriculture & Dairy - Duty free concession on all specialised agricultural machinery and equipment and other agriculture-related inputs.
5. Duty on specialised equipment and machinery	♣ Fisheries and Forestry - Duty free concession on specialised equipment and machinery.
6. Exercise books	♣ Remove Section 10 concession

OTHER NEW MEASURES

◆ **Telecommunication Levy**

- A 1% levy will be imposed on all voice call charges. This Includes:
 - landline phone bills or land line top up cards;
 - mobile phone post pay bills; and
 - mobile phone top up cards or pre-pay bills.
- The levy will be collected by service providers and remitted to FRCA on a monthly basis.

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◆ Credit Card Levy

- A 2% levy will be imposed on all Credit Card purchases and payments.
- The Reserve Bank of Fiji will draw up guidelines for financial institutions for smooth administration of the tax.
- The levy will be collected by financial institutions and remitted to FRCA on a monthly basis.

◆ Third Party Insurance Levy

- 20% levy will be imposed on premiums.
- This levy will be collected by Insurance companies and remitted to FRCA on a monthly basis.

◆ Luxury Car Fee (new and used)

- A new customs levy of \$7,500 will be imposed on luxury cars of a cylinder capacity exceeding 2500cc but not exceeding 3000cc, upon point of sale. This excludes single and twin cabs.
- A new customs levy of \$20,000 will be imposed on luxury cars of a cylinder capacity exceeding 3000cc, upon point of sale.

◆ Home Stays

- FRCA will strengthen compliance on home stay operators.

◆ Gold Card System

- An incentive system will be introduced for best and compliant taxpayers.

◆ Decentralization of FRCA Offices

- FRCA will open new offices in Rakiraki and Sigatoka from 2012.

◆ Upgrade of Tax Portal

- Tax portal to be upgraded in 2012.

◆ New Income Tax Decree

- The new income tax decree will come into effect on January 1, 2013.

◆ PAYE as Final Tax

- To be effective from 2013.
- All the taxable allowance (except FNPF) will be removed in line with reduced tax rate in 2012.

◆ Self Assessment

- Self Assessment will be introduced in 2013.

◆ Presumptive Tax

- Presumptive tax will be introduced in 2013.

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◆ **Tax Penalties**

- Tax penalties will be increased in 2012.

◆ **Garnishee of Joint Accounts**

- Issuing of garnishee on bank joint accounts with spouse or children will be effected, provided the source of income is determined to be the income of the taxpayer.

END

**For avoidance of doubt, please refer to the 2012 Budget Supplement*