



FIJI REVENUE AND CUSTOMS SERVICE

COVID-19 RESPONSE BUDGET SUMMARY OF REVENUE POLICIES

26 March, 2020

Part 1 – Direct Tax Measures

(i) Income Tax Act

Policy	Description								
1.Export Income Deduction Incentive	➤ The Export Income Deduction (EID) will be increased from 50% to 60% for the tax years 2020, 2021 and 2022.								
2.New Hotel Investment Incentive Package	<p>➤ The existing package will be repealed and replaced with the following:</p> <p>i. Short Life Investment Package (SLIP)</p> <ul style="list-style-type: none"> Income tax exemption for the construction of new hotels based on the following capital investment levels: <table border="1" data-bbox="727 787 1300 940"> <thead> <tr> <th>Capital Investment (\$)</th> <th>Tax Holiday</th> </tr> </thead> <tbody> <tr> <td>\$250,000 - \$1,000,000</td> <td>5 Years</td> </tr> <tr> <td>\$1,000,000 - \$2,000,000</td> <td>7 Years</td> </tr> <tr> <td>More than \$2,000,000</td> <td>13 Years</td> </tr> </tbody> </table> <p>ii. Standard Allowance</p> <ul style="list-style-type: none"> An Investment allowance of 25% will be allowed on the capital expenditure incurred for the construction, renovation, refurbishment and extension. This applies to new and existing hotels. <p>➤ The new Hotel Investment Incentive Package, will be applicable from 1 April, 2020 to 31 December 2022.</p>	Capital Investment (\$)	Tax Holiday	\$250,000 - \$1,000,000	5 Years	\$1,000,000 - \$2,000,000	7 Years	More than \$2,000,000	13 Years
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3.Business losses	➤ Business losses of up to \$20,000 will be allowed to be deducted against employment income to compute the chargeable income and the overall tax position of the personal income taxpayers.								
4.Provisional Tax	➤ The certificate of exemption will be reintroduced for the 5% Provisional Tax.								
5.Advance Payments of Tax	<p>➤ The rule for advance payment of tax for companies and other taxpayers will be relaxed from the current 3 payments at a rate of $33\frac{1}{3}\%$ to 9 payments at a rate of $11\frac{1}{9}\%$.</p> <p>➤ Penalties on estimated tax will also be removed.</p>								

Policy	Description
	➤ The policy will be valid until 31 December 2020.
6. Debt Forgiveness	<ul style="list-style-type: none"> ➤ Debt forgiveness will not be subject to income tax. ➤ Applies to forgiving of any outstanding debt. This will be applicable from 1 April, 2020 to 31 December 2020.
7. Thin Capitalization	➤ Thin capitalization rules will be suspended for borrowings undertaken from 01 April, 2020 up to 31 December 2020.
8. Tax deduction for salary/ wages paid for quarantined/ isolated employees	➤ A 300% tax deduction will be allowed to employers for wages/ salary paid to employees who are quarantined and approved by Ministry of Health and Medical Services.
9. Employment Taxation Scheme	<ul style="list-style-type: none"> ➤ Employment Taxation Scheme to be incentivised further as follows: <ul style="list-style-type: none"> a. Tax deduction on wages paid on first full- time employee will be increased from 200% to 300%. b. Tax deduction on wages paid for work placements in the related area of study up to 6 months in a year before graduation, as part of the course requirements will be increased from 200% to 300%. c. Tax deduction on wages paid to students employed on a part-time basis (in the related area of study up to 3 months in a 12-month period) will be increased from 200% to 300%. d. Tax deduction on wages paid in the employment of disabled people employed for 3 consecutive years will be increased from 300% to 400%. ➤ This will be extended till 2023.
10. Contribution to the COVID-19 Fund	➤ A 300% tax deduction will be available for donation made to the COVID-19 Fund.
11. Depreciation write-off incentive	<ul style="list-style-type: none"> ➤ A 100% write-off will be available on purchases of fixed assets of up to \$10,000 for business purposes. ➤ This will be applicable on purchases up to 31 December 2020.
12. Accelerated Depreciation	➤ A 100% write-off available for the construction of a new commercial and industrial buildings provided approvals are obtained prior to 31 December, 2020.
13. Film Making and Audio-Visual Incentives	➤ Processing of new provisional applications for the Film Tax Rebate as well as pending payments will be suspended until further notice.

Policy	Description
	<ul style="list-style-type: none"> ➤ The provisions under the Income Tax (Film-Making and Audio Visual incentive) Regulations remain unchanged.
14. Tax deduction for reduction of commercial rent	<ul style="list-style-type: none"> ➤ A tax deduction will be accorded to landlords for reduction of commercial rent. The reduction refers to the rent payable after 01 April 2020 to 31 December 2020. ➤ The deduction will only apply to existing rental contracts. ➤ Landlord will have to provide record of rental income received for the past 6 months.

(ii) Tax Administration Act

Policy	Description
1. Waiver of penalty for late lodgement	<ul style="list-style-type: none"> ➤ Waiver of penalty for failure to file a tax return or lodge other documents by the due date. ➤ The waiver will apply to all late lodgement penalties incurred after 01 April 2020 until 31 Dec 2020.

(iii) Stamp Duty Act

Policy	Description
1. Stamp duty on mortgages	<ul style="list-style-type: none"> ➤ Stamp duty levied on mortgages for resident tax payers will be reduced from 1.75% to 0%. ➤ Stamp duty levied on mortgages for foreign tax payers will be reduced from 5% to 0%. ➤ Effective from 1 April 2020 to 31 December 2020.
2. Air Waybills	<ul style="list-style-type: none"> ➤ \$10 Stamp Duty on Air Waybills for any goods, merchandise, or effects exported from Fiji will be removed.

Part 2: Indirect Tax Measures

(i) Value Added Tax Act

Policy	Description
1.VAT Monitoring System (VMS)	<ul style="list-style-type: none"> ➤ The implementation of the VAT Monitoring System as captured in the Electronic Fiscal Device (EFD) Regulations will be deferred to 1 January 2021. ➤ The VAT Monitoring System will be applicable on gross turnover of more than \$100,000. ➤ The taxpayers who voluntarily register for VAT (that is, those presently below \$100,000) will not be captured in VMS.
2.VAT exemption on medical supplies	<ul style="list-style-type: none"> ➤ To assist the medical sector during the COVID-19 crisis, the importation of the following items will be exempt from Import VAT: <ul style="list-style-type: none"> • Hand sanitizers and antibacterial hand wash; • Gloves (surgical, medical, knitted, crocheted with plastic coating) • Masks; • Disposable hair nets; • Disinfectant Wipes; • Tissue papers; • Face shield; • Medical Goggles and spectacles (used in the lab and medical facilities); • Protective plastic garments for surgical and medical use; • Protective garments of textiles or rubberized textiles; • Long sleeve medical gowns; • Scanners and cameras used in medical examination; • Ethanol for companies involved in hand sanitizer production; • Disinfectants; • Vaccinations and Medicaments of Chapter 30; • Air purifier; • Boots – specifically used in medical environment; • Hospital beds; • Hydrogen peroxide; • Paper bed sheets;

Policy	Description
	<ul style="list-style-type: none"> • Thermometers; • Medical equipment under chapter 90 of the Customs Tariff.

(ii) Customs Tariff Act - Fiscal Duty Changes

Policy	Description
1. Hand sanitizers and antibacterial hand wash	➤ Fiscal duty on hand sanitizers and hand wash will be reduced from 32% to 0%.
2. Gloves	<ul style="list-style-type: none"> ➤ Fiscal duty on medical and surgical gloves will be reduced from 5% to 0%. ➤ Fiscal duty on plastic gloves will be reduced from 32% to 0%. ➤ Fiscal duty on knitted, crocheted and textile gloves will be reduced from 32% to 0%.
3. Masks	➤ Fiscal duty on masks will be reduced from 32% to 0%.
4. Disposable hair nets	➤ Fiscal duty on disposable hair nets will be reduced from 15% to 0%.
5. Disinfectant wipes	➤ Fiscal duty on disinfectant wipes will be reduced from 32% to 0%.
6. Tissue papers	➤ Fiscal duty on tissue papers will be reduced from 32% to 0%.
7. Face shield (Medical Use)	➤ Fiscal duty on face shield used for medical purposes will be reduced from 15% to 0%.
8. Medical Goggles and spectacles	➤ Fiscal duty on medical goggles and spectacles to be reduced from 5% to 0%.
9. Protective garments	<ul style="list-style-type: none"> ➤ Fiscal duty on protective garments for surgical and medical use will be reduced from 32% to 0%. ➤ Fiscal duty on protective garments of rubberized textiles and plastic will be reduced from 32% to 0%.
10. Long sleeve medical gowns	➤ Fiscal duty on long sleeve medical gowns will be reduced from 32% to 0%.
11. Ethanol for companies involved in hand sanitizer production	<ul style="list-style-type: none"> ➤ Fiscal duty on ethanol (undenatured 80% or more ethyl alcohol) will be reduced from \$198.60 to \$0. ➤ Fiscal duty on ethanol (undenatured 75% or more ethyl alcohol) will be reduced from \$198.60 to \$0.

Policy	Description
12. Disinfectants/sterilisation products	➤ Fiscal duty on disinfectants will be reduced from 32% to 0%.
13. Hospital beds	➤ Fiscal duty on the importation of hospital beds will be reduced from 5% to 0%.
14. Hydrogen peroxide	<ul style="list-style-type: none"> ➤ Fiscal duty on the importation of hydrogen peroxide in bulk will be reduced from 5% to 0%. ➤ Fiscal duty on the importation of hydrogen peroxide presented as a medicament (put up for internal or external use as a medicine including as an antiseptic for the skin) will be reduced from 15% to 0%. ➤ Fiscal duty on the importation of hydrogen peroxide put up in disinfectant preparations for cleaning surfaces will be reduced from 5% to 0%.
15. Paper bed sheets	➤ Fiscal duty on the importation of paper bed sheets will be reduced from 32% to 0%.
16. Thermometers	➤ Fiscal duty on the importation of thermometers will be reduced from 5% to 0%.
17. Air Purifier	➤ Fiscal duty on the importation of air purifier will be reduced from 5% to 0%.
18. Boots (specifically used in medical environment)	➤ Fiscal duty on the importation of boots (specifically used for medical environment) will be reduced from 32% to 0%.
19. Fuel	<ul style="list-style-type: none"> ➤ Fiscal duty on the importation of Diesel (HS: 2710.12.31, 2710.12.32, 2710.20.31, 2710.20.32) will increase by 20 cents per litre. ➤ Fiscal duty on the importation of Petrol (Benzene) (HS: 2710.12.11, 2710.12.12, 2710.12.19, 2710.20.11, 2710.20.12, 2710.20.19) will increase by 20 cents per litre.

(iii) Import Excise Duty

Policy	Description
1. Ethanol for companies involved in the production of hand sanitizers	<ul style="list-style-type: none"> ➤ Import excise on ethanol (undenatured 80% or more ethyl alcohol) will be reduced from 15% to 0%. ➤ Import excise on ethanol (undenatured 75% or more ethyl alcohol) will be reduced from 15% to 0%.

2.Boots (specifically used in medical environment)	➤ Import Excise on the importation of boots (specifically used for medical environment) will be reduced from 10% to 0%.
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(iv) Customs Legislation

Policy	Description
1. Bonded Warehouse	➤ The warehousing period will be extended to 12-months with extension provision introduced. Section 52 of the Act will be amended.

END

**For avoidance of doubt, please refer to the COVID-19 Response Budget Supplement*