

**2020/2021 National Budget Policy Changes**

**1. HEALTH SECTOR**

<b>Policy</b>	<b>Description</b>																												
New Medical Investment Incentive	<p>The existing package will be repealed and replaced with the following:</p> <p>i. Private Hospital</p> <ul style="list-style-type: none"> <li>Income tax exemption for the establishment of a new hospital based on the following capital investment levels: <table border="1"> <thead> <tr> <th><b>Capital Investment (\$)</b></th> <th><b>Tax Holiday</b></th> </tr> </thead> <tbody> <tr> <td>\$2,500,000 - \$5,000,000</td> <td>7 years</td> </tr> <tr> <td>\$5,000,001 - \$10,000,000</td> <td>13 years</td> </tr> <tr> <td>More than \$10,000,000</td> <td>20 years</td> </tr> </tbody> </table> </li> <li>An investment allowance will be available for the refurbishment, renovation and extension of a hospital based on the following capital investment levels: <table border="1"> <thead> <tr> <th><b>Capital Investment (\$)</b></th> <th><b>Tax Deduction</b></th> </tr> </thead> <tbody> <tr> <td>\$500,000 - \$1,000,000</td> <td>30%</td> </tr> <tr> <td>More than \$1,000,000</td> <td>60%</td> </tr> </tbody> </table> </li> </ul> <p>ii. Ancillary Medical Services</p> <ul style="list-style-type: none"> <li>Income tax exemption for the establishment of a new ancillary medical service center based on the following capital investment levels: <table border="1"> <thead> <tr> <th><b>Capital Investment (\$)</b></th> <th><b>Tax Holiday</b></th> </tr> </thead> <tbody> <tr> <td>\$500,000 - \$3,000,000</td> <td>7 years</td> </tr> <tr> <td>\$3,000,001 - \$10,000,000</td> <td>13 years</td> </tr> <tr> <td>More than \$10,000,000</td> <td>20 years</td> </tr> </tbody> </table> </li> <li>An investment allowance will be available for the refurbishment, renovation and extension of an ancillary medical service center based on the following capital investment levels: <table border="1"> <thead> <tr> <th><b>Capital Investment (\$)</b></th> <th><b>Tax Deduction</b></th> </tr> </thead> <tbody> <tr> <td>\$500,000 - \$1,000,000</td> <td>30%</td> </tr> <tr> <td>More than \$1,000,000</td> <td>60%</td> </tr> </tbody> </table> </li> </ul>	<b>Capital Investment (\$)</b>	<b>Tax Holiday</b>	\$2,500,000 - \$5,000,000	7 years	\$5,000,001 - \$10,000,000	13 years	More than \$10,000,000	20 years	<b>Capital Investment (\$)</b>	<b>Tax Deduction</b>	\$500,000 - \$1,000,000	30%	More than \$1,000,000	60%	<b>Capital Investment (\$)</b>	<b>Tax Holiday</b>	\$500,000 - \$3,000,000	7 years	\$3,000,001 - \$10,000,000	13 years	More than \$10,000,000	20 years	<b>Capital Investment (\$)</b>	<b>Tax Deduction</b>	\$500,000 - \$1,000,000	30%	More than \$1,000,000	60%
<b>Capital Investment (\$)</b>	<b>Tax Holiday</b>																												
\$2,500,000 - \$5,000,000	7 years																												
\$5,000,001 - \$10,000,000	13 years																												
More than \$10,000,000	20 years																												
<b>Capital Investment (\$)</b>	<b>Tax Deduction</b>																												
\$500,000 - \$1,000,000	30%																												
More than \$1,000,000	60%																												
<b>Capital Investment (\$)</b>	<b>Tax Holiday</b>																												
\$500,000 - \$3,000,000	7 years																												
\$3,000,001 - \$10,000,000	13 years																												
More than \$10,000,000	20 years																												
<b>Capital Investment (\$)</b>	<b>Tax Deduction</b>																												
\$500,000 - \$1,000,000	30%																												
More than \$1,000,000	60%																												

## 2. AGRICULTURE SECTOR

<b>Policy</b>	<b>Description</b>
Reduction in fiscal duty and import excise on specific vehicles stipulated under Heading 8701, 8704 and 8716 of the Customs Tariff.	<p>8701 – New tractors, fiscal duty is reduced to zero, and Used tractors, fiscal duty is reduced to 5%. New and used tractors, import excise are reduced to zero</p> <p>8704 – New dual-purpose vehicles, fiscal duty is reduced to 5%, and Used dual-purpose vehicles, fiscal duty is reduced to 15%. New and used dual-purpose vehicles, import excise are reduced to zero</p> <p>8716 – New trailers and semi-trailers for agricultural purposes, fiscal duty is reduced to zero and Used trailers and semi-trailers for agricultural purposes, fiscal duty is reduced to 5%</p>

## 3. FISHERIES SECTOR

<b>Policy</b>	<b>Description</b>
Trans-shipment Levy (Fish Levy)	<ul style="list-style-type: none"><li>• The Fish Levy of \$450 per ton will be removed.</li></ul>

<b>Policy</b>	<b>Description</b>
Reduction in fiscal duty for Fishing vessels; factory ships and other vessels for processing or preserving fishery products	Fiscal duty on these items has been reduced to zero

#### 4. REAL ESTATE

Policy	Description										
New Incentive Package for Sub-division of lots	<ul style="list-style-type: none"> <li>• A new incentive package will be introduced for investment in the business of sub-division of lots for residential or commercial purpose. The following benefits will be available: <table border="1" data-bbox="645 363 1285 552"> <thead> <tr> <th data-bbox="645 363 972 400">Capital Investment (\$)</th> <th data-bbox="972 363 1285 400">Tax Deduction</th> </tr> </thead> <tbody> <tr> <td data-bbox="645 400 972 437">Less than \$1,000,000</td> <td data-bbox="972 400 1285 437">20%</td> </tr> <tr> <td data-bbox="645 437 972 474">\$1,000,001 - \$3,000,000</td> <td data-bbox="972 437 1285 474">30%</td> </tr> <tr> <td data-bbox="645 474 972 510">\$3,000,001 - \$7,000,000</td> <td data-bbox="972 474 1285 510">40%</td> </tr> <tr> <td data-bbox="645 510 972 547">More than \$7,000,000</td> <td data-bbox="972 510 1285 547">60%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>○ Duty concession will be available on importation of raw materials, equipment and machinery for the establishment of the project.</li> <li>○ Income tax exemption will be available on developer profits for proceeds of sale.</li> <li>○ The new Incentive Package for Sub-division of lots will be applicable from 1 August 2020 to 31 July 2022.</li> </ul> </li> </ul>	Capital Investment (\$)	Tax Deduction	Less than \$1,000,000	20%	\$1,000,001 - \$3,000,000	30%	\$3,000,001 - \$7,000,000	40%	More than \$7,000,000	60%
Capital Investment (\$)	Tax Deduction										
Less than \$1,000,000	20%										
\$1,000,001 - \$3,000,000	30%										
\$3,000,001 - \$7,000,000	40%										
More than \$7,000,000	60%										
New Incentive Package for Private sector investment in buildings	<ul style="list-style-type: none"> <li>• A new incentive package will be introduced for private companies investing in buildings to be used by government or entities approved by government.</li> <li>• The following benefits will be available: <ul style="list-style-type: none"> <li>○ Duty concession will be available on importation of raw materials, plant, machinery and equipment for the establishment of the project.</li> <li>○ Tax exemption will be available on rental income.</li> </ul> </li> </ul>										
Residential Housing Development Incentive – Development of Housing for Public Rental	<ul style="list-style-type: none"> <li>• Regulation 12, Part 3 of the Income Tax (Residential Housing Development Package) Regulations 2016 will be extended to include duty concessions for the importation of raw materials, machinery and equipment for the establishment of the housing project.</li> </ul>										

Policy	Description
VAT on Residential Rents	<ul style="list-style-type: none"> <li>• A person engaged in the supply of residential accommodation, irrespective of the annual gross turnover will be exempted from VAT.</li> </ul>

## 5. CONSTRUCTION SECTOR

Policy	Description
Reduction in fiscal duty on prefabricated material, blocks and cement under Chapter 68 of the Customs Tariff	Fiscal duty for these items has all been reduced to 5%
Reduction in fiscal duty and import excise on tubes, pipes, steel, doors and door frames under Chapter 73 of the Customs Tariff	Fiscal duty for these items has been reduced to 5%. Import excise on these items has been reduced to zero.
Reduction in import excise on nails, staples and similar articles of iron or steel	Import excise duty on these items has been reduced to zero
Reduction in fiscal duty and import excise on machinery and mechanical equipment used in construction such as pumps, cranes, trucks, bulldozers under Chapter 84 of the Customs Tariff	Fiscal duty for most of these items has been reduced to zero, others are charged at 5%. Import excise on all these items has been reduced to zero.

**6. GENERAL**

Policy	Description																								
Social Responsibility Tax (SRT) and Environment & Climate Adaptation Levy (ECAL)	<p>The ECAL component of SRT will be reduced from 10% to 5%. The new SRT and ECAL structure will be as follows:</p> <table border="1" data-bbox="432 363 1312 986"> <thead> <tr> <th data-bbox="432 363 725 472">Chargeable Income</th> <th data-bbox="725 363 1077 472">Social Responsibility Tax Payable</th> <th data-bbox="1077 363 1312 472">Environment &amp; Climate Adaptation Levy</th> </tr> </thead> <tbody> <tr> <td data-bbox="432 472 725 544">270,001 – 300,000</td> <td data-bbox="725 472 1077 544">13% of excess over \$270,000</td> <td data-bbox="1077 472 1312 544">5% of excess over \$270,000</td> </tr> <tr> <td data-bbox="432 544 725 616">300,001 – 350,000</td> <td data-bbox="725 544 1077 616">5,400 + 14% of excess over \$300,000</td> <td data-bbox="1077 544 1312 616">5% of excess over \$300,000</td> </tr> <tr> <td data-bbox="432 616 725 687">350,001 – 400,000</td> <td data-bbox="725 616 1077 687">14,900 + 15% of excess over \$350,000</td> <td data-bbox="1077 616 1312 687">5% of excess over \$350,000</td> </tr> <tr> <td data-bbox="432 687 725 759">400,001 – 450,000</td> <td data-bbox="725 687 1077 759">24,900 + 16% of excess over \$400,000</td> <td data-bbox="1077 687 1312 759">5% of excess over \$400,000</td> </tr> <tr> <td data-bbox="432 759 725 831">450,001 – 500,000</td> <td data-bbox="725 759 1077 831">35,400 + 17% of excess over \$450,000</td> <td data-bbox="1077 759 1312 831">5% of excess over \$450,000</td> </tr> <tr> <td data-bbox="432 831 725 903">500,001 – 1,000,000</td> <td data-bbox="725 831 1077 903">46,400 + 18% of excess over \$500,000</td> <td data-bbox="1077 831 1312 903">5% of excess over \$500,000</td> </tr> <tr> <td data-bbox="432 903 725 986">1,000,000 +</td> <td data-bbox="725 903 1077 986">161,400 + 19% of excess over \$1,000,000</td> <td data-bbox="1077 903 1312 986">5% of excess over \$1,000,000</td> </tr> </tbody> </table>	Chargeable Income	Social Responsibility Tax Payable	Environment & Climate Adaptation Levy	270,001 – 300,000	13% of excess over \$270,000	5% of excess over \$270,000	300,001 – 350,000	5,400 + 14% of excess over \$300,000	5% of excess over \$300,000	350,001 – 400,000	14,900 + 15% of excess over \$350,000	5% of excess over \$350,000	400,001 – 450,000	24,900 + 16% of excess over \$400,000	5% of excess over \$400,000	450,001 – 500,000	35,400 + 17% of excess over \$450,000	5% of excess over \$450,000	500,001 – 1,000,000	46,400 + 18% of excess over \$500,000	5% of excess over \$500,000	1,000,000 +	161,400 + 19% of excess over \$1,000,000	5% of excess over \$1,000,000
Chargeable Income	Social Responsibility Tax Payable	Environment & Climate Adaptation Levy																							
270,001 – 300,000	13% of excess over \$270,000	5% of excess over \$270,000																							
300,001 – 350,000	5,400 + 14% of excess over \$300,000	5% of excess over \$300,000																							
350,001 – 400,000	14,900 + 15% of excess over \$350,000	5% of excess over \$350,000																							
400,001 – 450,000	24,900 + 16% of excess over \$400,000	5% of excess over \$400,000																							
450,001 – 500,000	35,400 + 17% of excess over \$450,000	5% of excess over \$450,000																							
500,001 – 1,000,000	46,400 + 18% of excess over \$500,000	5% of excess over \$500,000																							
1,000,000 +	161,400 + 19% of excess over \$1,000,000	5% of excess over \$1,000,000																							
Advance Payments of Tax	<ul style="list-style-type: none"> <li>• The rule for advance payment as amended in the COVID-19 Response Budget will be made permanent.</li> <li>• Companies will be required to make advance tax payments in 9 instalments at the rate of <math>11\frac{1}{9}\%</math></li> <li>• Additionally, the application of penalties was removed in the COVID-19 Response Budget and was valid until 31 December 2020. This waiver continues to apply for the next 3 years.</li> </ul>																								
Debt Forgiveness	<ul style="list-style-type: none"> <li>• As announced in the COVID-19 Response Budget, debt forgiveness is not subject to income tax for all debt outstanding forgiven from 1 April 2020 up to 31 December 2020.</li> <li>• The existing policy and the forgiveness period for the new debt is extended until 31 December 2021.</li> </ul>																								

Policy	Description
	<ul style="list-style-type: none"> <li>• In addition, debts created between 1 April 2020 to 31 December 2021 will also be eligible for income tax exemption under debt forgiveness provisions.</li> </ul>
Thin Capitalization	<ul style="list-style-type: none"> <li>• The debt-to-equity ratio will be increased from the current 2:1 to 3:1</li> </ul>
Depreciation write-off incentive	<ul style="list-style-type: none"> <li>• A 100% write-off on purchase of fixed assets of up to \$10,000 used for business purposes was announced in the COVID-19 Response Budget.</li> <li>• In light of the current economic situation, this policy will be made permanent.</li> </ul>
Accelerated Depreciation	<ul style="list-style-type: none"> <li>• A 100% write-off for the construction of a new commercial and industrial building, provided that approvals are obtained prior to 31 December, 2020, was made available in the COVID-19 Response Budget.</li> <li>• This incentive will be made permanent.</li> </ul>
Tax deduction for reduction of commercial rent	<ul style="list-style-type: none"> <li>• As part of the government assistance package to businesses, a tax deduction was accorded to landlords for reduction of commercial rent. The deduction applied to existing rental contracts whereby landlords need to provide record of rental income received for the past 6 months.</li> <li>• The reduction referred to the rent payable after 01 April 2020 to 31 December 2020.</li> <li>• This tax deduction will be further extended until 31 December 2021.</li> </ul>
Tax incentives for Corporate Bonds	<ul style="list-style-type: none"> <li>• To support post COVID-19 recovery through provision of additional avenues for corporate financing, the issuance of corporate bonds will be incentivized as follows: <ul style="list-style-type: none"> <li>○ A 150% tax deduction will be allowed to companies for listing of corporate bonds with the South Pacific Stock Exchange (SPSE). This deduction will be applied on the cost of listing.</li> <li>○ A 150% tax deduction will be allowed on interest paid on corporate bonds.</li> <li>○ Interest income earned on corporate bonds will be exempt from tax.</li> </ul> </li> </ul>
FNPF Contribution	<ul style="list-style-type: none"> <li>• To provide immediate financial support to employers during this time of financial hardship, the mandatory FNPF contribution was reduced to 5 percent in the COVID-19 Response Budget. This policy is further extended until 31 December 2021.</li> <li>• Employer contribution exceeding the 5% mandatory FNPF contribution and up until 10%, will be allowed a tax deduction of 150% of the excess. The deduction will be applied retrospectively from 1 April 2020.</li> </ul>
Capital Gains Tax (CGT)	<ul style="list-style-type: none"> <li>• CGT exemption threshold for capital gains made by a resident individual or Fijian citizen will be increased from \$16,000 to \$30,000.</li> </ul>
Income Tax Act – Section 2: Definition of Capital Asset	<ul style="list-style-type: none"> <li>• Depreciable Assets will now be taxed under Capitals Gains Tax rules and not income tax rules</li> <li>• Therefore, the definition of Capital Asset in Section 2 of the Income Tax Act 2015 will be extended to include depreciable assets and section 34 will be amended to clarify rules on disposal of depreciable assets.</li> </ul>

<b>Policy</b>	<b>Description</b>
Fringe Benefit Tax	<ul style="list-style-type: none"> <li>• A tax deduction will be allowed to the employer for Fringe Benefits Tax. Consequently, Section 22 of the Income Tax Act will be amended.</li> </ul>
Non-Resident Withholding Tax	<ul style="list-style-type: none"> <li>• Section 10 will be amended to exclude accommodation provided or reimbursed, airfare, transport and allowances from the application of Non-Resident Withholding Tax.</li> </ul>
Permanent Establishment	<ul style="list-style-type: none"> <li>• The Permanent Establishment Rules will be amended to allow consistent application with international taxation rules.</li> </ul>
Tax deduction on loans taken for medical purposes	<ul style="list-style-type: none"> <li>• A tax deduction will be allowed on loan (inclusive of both principal amount and interest accrued) taken from a licensed financial institution for medical treatment.</li> <li>• The applicant will be required to provide medical certificate, details of the loan facility and receipts to confirm expenses.</li> <li>• The following expenses are eligible: <ul style="list-style-type: none"> <li>○ hospital expenses;</li> <li>○ food and accommodation if part of the package with the hospital;</li> <li>○ international fares; and</li> <li>○ interest expenses incurred with the loan (in case of consolidated loan), interest deduction will be allowed proportionately.</li> </ul> </li> </ul>
Corporate Reorganization	<ul style="list-style-type: none"> <li>• Deferral rules for company incorporation will be introduced.</li> <li>• Transfer of assets by an individual shareholder to a company at the point of incorporation will not be subject to tax.</li> <li>• Subsequently, disposal of assets will be subject to normal tax.</li> </ul>

### Stamp Duty Act

<b>Policy</b>	<b>Description</b>
Stamp Duty	<ul style="list-style-type: none"> <li>• Stamp Duty Act will be repealed.</li> </ul>

### Airport Departure Tax Act

<b>Policy</b>	<b>Description</b>
Review of Airport Departure Tax	<ul style="list-style-type: none"> <li>• The Airport Departure Tax will be reduced from \$200 to \$100.</li> </ul>

### Service Turnover Tax

Policy	Description
Service Turnover Tax (STT)	<ul style="list-style-type: none"><li>The 6% STT on all prescribed services will be removed.</li></ul>

### Environmental & Climate Adaption Levy Act

Policy	Description
Environment & Climate Adaptation Levy (ECAL)	<ul style="list-style-type: none"><li>The Environment &amp; Climate Adaptation Levy (ECAL) will be reduced from 10% to 5%.</li><li>The threshold for application of ECAL will be increased from \$1.25m to \$3m for all prescribed services.</li></ul>
Exemption of ECAL on concession codes 232, 284 and 285	<ul style="list-style-type: none"><li>The ECAL Act will be amended to include concession code 232, 284, and 285 for exemption of ECAL on vehicles and white goods imported under duty concession.</li></ul>
Refund of ECAL in line with the duty drawback provisions of Customs Act	<ul style="list-style-type: none"><li>The ECAL Act will be amended to include provisions of refund for ECAL paid on customs declaration in instances of a re-export.</li></ul>