

12 June 2020

Post COVID-19 Budget Reminders

Newsletter

June 2020

Tax Reminders - June 2020 Updates

We wish to highlight some of the following tax changes that are effective from 1st April 2020 until the 31st December 2020 which are in relation to the COVID-19 Pandemic tax changes that were promulgated in recent gazettes by the Government of Fiji.

A. COVID-19 Budget tax changes that will expire on the 31st December 2020

(i) VAT Monitoring System (VMS) Registration

- ▶ The anticipated 3rd phase registration for businesses listed in the attachment has now been deferred until 31st December 2020;
- ▶ The VMS will be applicable to taxpayers with gross turnover of more than \$100,000; and
- ▶ Taxpayers who voluntarily register for VAT (that is, those presently below \$100,000) do not need to register for VMS yet.

(ii) Reduction of the commercial rent deduction

Effective 1st April 2020 to 31st December 2020, where landlords have reduced commercial rental payments, the aggregate reduction will be allowed as a deduction for income tax purposes. The law does not require amendments to the rental agreements. However, we recommend that to claim this deduction, clients should;

- ▶ Attach a copy of the current lease agreement; and
- ▶ Attach receipts of payments recording the reduction of rental income.

We further recommend that the landlord issue a notice to their clients to provide clarity on terms and conditions of any reduction.

(iii) Advance tax reminders

Taxpayers whose 2019 Financial Year ends between 30th April 2019 and 30th June 2020 and taxpayer whose 2020 Financial Year ends between July 2020 and December 2020 will be permitted to pay advance taxes in 9 monthly installments.

(iv) Late Lodgment Penalties (LLP) and Late Payment Penalties (LPP)

Effective 1st April 2020 to 31 December 2020, any 20% LLP imposed on late lodgments for the Financial Year 2019 will be automatically waived.

However, for the 25% LPP, clients will be required to write to the Chief Executive Officer (CEO) under Section 48 of the Tax Administration Act for any waiver or reduction of part of the penalty imposed.

(v) Debt forgiveness

Debt forgiveness will not be subject to income tax. This will apply to all debts forgiven from 1st April 2020 to 31st December 2020.

(vi) Accelerated depreciation

A 100% depreciation deduction is available for the construction of new commercial and industrial buildings provided approvals are obtained prior to 31 December 2020.

(vii) Depreciation on assets costing \$10,000 or less

A taxpayer may deduct the full cost of assets costing \$10,000 or less in the tax year it was acquired provided the asset is acquired in the period commencing on and from 1st April 2020 to 31st December 2020.

(viii) Stamp duty on mortgages

- ▶ Stamp duty levied on mortgages for resident taxpayers will be reduced from 1.75% to 0%;
- ▶ Stamp duty levied on mortgages for nonresident taxpayers will be reduced from 5% to 0%; and
- ▶ This will only be effective from 1 April 2020 to 31 December 2020.

(ix) Stamp duty on "Air Waybills"

\$10 Stamp Duty on Air Waybills for any goods, merchandise, or effects exported from Fiji will be removed during the same period.

(x) Waiver of penalty for late lodgement of tax returns

- ▶ 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.

B. Other tax changes not subject to the 31st December 2020 deadline

(i) VAT exemptions

To assist the medical sector during the COVID-19 crisis, the importation of the following items will be exempt from Import VAT. The amendments are made in Section 14(4A)(a) of the Value Added Tax Act:

- 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; 6 Policy Description;
- Thermometers;
- Medical equipment under chapter 90 of the Customs Tariff.

(ii) Export Income Deduction (EID)

The EID has increased to 60% for the 2020,2021 and 2022 tax years.

(iii) Business losses

Business losses of up to \$20,000 will be allowed as deduction against any personal employment income.

(iv) Certificate of exemption (COE)

Contractors provisional tax of 5% can be made exempt by the issuance of COE certificates from the Fiji Revenue Customs Services (FRCS) and presented to the payer of the service.

However, the Standard Interpretation Guideline effective 1st August 2019 remains effective with respect to expressed and implied contracts with definitions thereon.

(v) Contribution thereon to the COVID-19 Fund

A 300% income tax deduction will be available for donations made to the COVID-19 Fund.

(vi) Employment Taxation Scheme

- ▶ The Income Tax deduction on wages paid on first full-time employee will be increased from 200% to 300%.
- ▶ The Income 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%.
- ▶ The Income 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%.
- ▶ The Income Tax deduction on wages paid in the employment of disabled persons employed for 3 consecutive years will be increased from 300% to 400%.

(vii) Tax deduction for salary/ wages paid for quarantined/ isolated employees

A 300% income 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.

Let us know should you wish to seek clarifications on the issues highlighted.

Our advice is based on the current taxation legislation and our understanding of FRCS's current interpretation of the law. We note however that, it is our experience that the FRCS can be inconsistent in their interpretation of the tax law and we cannot guarantee that the advice will not be challenged. Nor is it possible to guarantee the outcome of such a challenge if it occurs. Should you have any contact from the FRCS in respect of this advice, we recommend that you contact us for advice on how to proceed.

It is also important that you ask us to review any advice already given if a transaction is delayed, or is to be repeated, or if an apparently similar transaction is to be undertaken. Our original advice may no longer be applicable or appropriate in such circumstances.



STEVEN PICKERING
Country Managing Partner
Assurance
Email: steve.pickering@fj.ey.com



SIKELI TUINAMUANA
Senior Partner
Assurance
Email: sikeli.tuinamuana@fj.ey.com



SHANEEL NANDAN
Partner
Assurance
Email: shaneel.nandan@fj.ey.com



PENI TORA
Associate Partner
Assurance
Email: peni.tora@fj.ey.com



JOHN FAKTAUFON
Director
Tax
Email: john.faktaufon@fj.ey.com



FAREESHA SHAH
Manager
Tax
Email: fareesha.shah@fj.ey.com

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