

BILL NO. 13 OF 2015

A BILL

FOR AN ACT TO AMEND THE INCOME TAX ACT (CAP. 201)

ENACTED by the Parliament of the Republic of Fiji—

Short title and commencement

- 1.—(1) This Act may be cited as the Income Tax (Amendment) Act 2015.
- (2) This Act shall come into force on the date of its publication in the *Gazette*.
- (3) In this Act, the Income Tax Act (Cap. 201) shall be referred to as the “Principal Act”.

Section 21 amended

2. Section 21 of the Principal Act is amended in subsection (1) by inserting the following new paragraphs after paragraph (zx)—

- “(zy) one and one half times the amount of any cash donation made by a taxpayer to the Fiji Association of Sports and National Olympic Committee (FASANOC) for Fiji’s participation at the 2015 Pacific Games;
- (zz) one and one half times the amount of any cash donation made by a taxpayer to the Fiji Rugby Union (FRU) for Fiji’s participation at the 2015 Rugby World Cup.”

*Sixth Schedule amended***3.** The Sixth Schedule to the Principal Act is amended—

(a) in paragraph 68(2) by—

(i) deleting “\$25 million” and substituting “FJ\$60 million”; and

(ii) deleting “\$11.75 million” and substituting “FJ\$28.2 million”; and

(b) in paragraph 74(1) by inserting in item 1 the following new paragraph after paragraph (f)—

“(g) the allowable expenditure incurred for the salaries paid for the services rendered in Fiji by the non-resident cast, subject to such expenditure not exceeding 20% of the total qualifying Fiji production expenditure.”

Office of the Attorney-General
Suvavou House
Suva

July 2015

INCOME TAX (AMENDMENT) BILL 2015

EXPLANATORY NOTE

(This note is not part of the Bill and is only intended to indicate its general effect)

1.0 BACKGROUND

Income Tax Deduction

- 1.1 The Fiji Association of Sports and National Olympic Committee (**'FASANOC'**) is the parent body of 39 national sporting federations and the organiser of Team Fiji to the Pacific Games held in Papua New Guinea from 4 to 18 July 2015.
- 1.2 Similarly, the Fiji Rugby Union (**'FRU'**) is the organiser of the Fiji rugby team to the Rugby World Cup held in England from 18 September to 1 November 2015.
- 1.3 In order to encourage cash donors to sponsor and make donations to FASANOC and FRU, it is important that cash donors to FASANOC and FRU are recognised and granted tax incentives.
- 1.4 This will in turn benefit our teams to the Pacific Games and the Rugby World Cup, as well as sporting development in Fiji as a whole.

Tax Rebate

- 1.5 The Sixth Schedule to the Income Tax Act (Cap. 201) (**'Act'**) provides incentives to film production companies. These incentives include the issuing of film tax rebate to film production companies that spend money in Fiji for their films.
- 1.6 Currently, the tax rebate amount that film production companies are entitled to is 47% of the total of the company's qualifying Fiji production expenditure which consists mostly of the goods and services purchased in Fiji, the payment for the use of land in Fiji and goods bought locally that are used for the film production. However, if the qualifying Fiji production expenditure exceeds \$25 million, the maximum allowable tax rebate is \$11.75 million.
- 1.7 At this stage, productions will only film up to the threshold level in Fiji before moving elsewhere to complete their production.

- 1.8 In 2014, Fiji hosted 52 productions ranging from TV commercials to a large feature film (from China). This year, Film Fiji is working towards bringing a major Hollywood production to Fiji which will showcase the country to the world with its high quality production company, distribution and A-list cast. However, the existing threshold of \$25 million is a discouragement to the production as it will only shoot for 13 days in the country before it moves off to another country to complete the film due to economic reasons. This will reduce the impact of the film to Fiji exposure and tourism.
- 1.9 Due to the increase in demand for film productions in Fiji, it is proposed that the current threshold of \$25 million be increased to \$60 million. This would then result in the need to increase the current threshold for the maximum allowable tax rebate from \$11.75 million to \$28.2 million. An economic multiplier of 2.8 times will be the return to Fiji for production spending in Fiji.
- 1.10 It is also proposed that development expenditure on a film include the allowable expenditure incurred for the salaries paid for the services rendered in Fiji by the non-resident cast, subject to such expenditure not exceeding 20% of the total qualifying Fiji production expenditure. This will encourage a film production company to feature A-list non-resident cast, and will also provide the edge for Fiji's competitiveness as a film destination in the extremely competitive global film market.
- 1.11 The value of being able to attract an A-list cast to Fiji is an investment for publicity and exposure of Fiji. It is norm for major studios to use its main cast to promote the film throughout the world and the cast would be speaking of their experience in Fiji on major talkback shows, interviews and premieres. Additionally, behind the scenes footage is always popular on news channels, magazines and social media, which would add to exposure for Fiji. An A-list actor's endorsement of Fiji is extremely valuable in marketing, which can provide a tourism advantage that can be more effective than millions of dollars in tourism marketing spend.
- 1.12 With the increased interest shown by foreign large film production companies for potential production of films in Fiji and to have such potential investment realised into actual production, it is imperative that the tax rebate that is currently available under the Sixth Schedule to the Act be revised.

2.0 CLAUSES

- 2.1 The Income Tax (Amendment) Bill 2015 ('**Bill**') seeks to amend the Act.
- 2.2 Clause 1 of the Bill provides for the short title and commencement date.

- 2.3 Clause 2 of the Bill amends section 21(1) of the Act by inserting new paragraphs. These paragraphs allow for a 150% Income Tax deduction on a taxpayer who makes a cash donation to FASANOC and FRU for Fiji's participation at the Pacific Games and the Rugby World Cup respectively.
- 2.4 Clause 3 amends paragraph 68(2) of the Sixth Schedule to the Act by increasing the tax rebate threshold from \$25 million to \$60 million, and also by increasing the maximum allowable tax rebate from \$11.75 million to \$28.2 million.
- 2.5 Clause 3 also amends paragraph 74(1) of the Sixth Schedule to the Act by inserting a new paragraph in item 1 to include as development expenditure on a film the allowable expenditure incurred for the salaries paid for the services rendered in Fiji by the non-resident cast, subject to such expenditure not exceeding 20% of the total qualifying Fiji production expenditure.

3.0 MINISTERIAL RESPONSIBILITY

- 3.1 The Act comes under the responsibility of the Minister for Finance.

A. SAYED-KHAIYUM
Attorney-General