



Bill Summary

Environmental Levy (Budget Amendment) Bill

Bill No. 37 of 2016

The Environmental Budget Amendment Bill 2016 seeks to amend the Schedule of the *Environmental Levy Act 2015*.

As a newly introduced law in 2015, the *Environmental Levy Act 2015* provides for an Environmental Levy on the turnover of prescribed services. When the levy was introduced, the Minister of Finance while tabling the 2016 Budget in Parliament said: "Visitors come for the luxury of the accommodations and the natural beauty and recreational opportunities in Fiji, and they will willingly pay a small additional charge to support environmental protection programmes."¹

The levy is charged on the 'turnover' which is the total charges for prescribed services billed to consumers. The levy payable is calculated by applying the tax rate to the fee for the prescribed service (exclusive of Value Added Tax and Service Turnover Tax)². The current Environmental Levy rate is 6%.

What services will be subject to Environmental Levy?

The prescribed services are outlined in the Schedule to the Act (*see Schedule in Annex A*). Prescribed services include the provision of:

- Accommodation, refreshments and any other services in licensed hotels or tourist vessels
- Meals, beverages and any other services in licensed restaurants, bars, clubs, bistros and coffee shops with an annual gross sales of \$1.25m or more.
- All services in licensed nightclubs
- Travel, tour and sight-seeing services by inbound tour operators
- All services including entry ticket fees provided within cinema premises
- All hired or rented car services with 'LH' and 'LR' license number plates excluding taxi's with 'LT' license number plates
- All water sports activities such as river safaris by water sports operators
- Accommodation and any other services by a registered home stay operators
- Recreational activities by recreational activity operators such as skydiving
- Live entertainment by personal participation of artists or exhibition of products where entry fees is charged for events venue
- Charter flight services by aircraft operators except flights for medical or natural disaster relief evacuation services

Do service providers need to register for the Environment Levy?

According to *Tax Talk on Environmental Levy*³ by the Fiji Revenue and Customs Authority, **registration is compulsory for 'service providers'** listed under the prescribed list under the Environmental Levy Act. However, those that are currently registered for Service Turnover Tax (STT) purpose do not have to register as FRCA will automate their Environmental Levy registration. For new businesses, a person should first obtain a Tax Identification Number (TIN), and then register for Environmental Levy purposes. Registration must be done within 30 days before the commencement of the business. In general, the Environmental Levy applies to licensed businesses. However, where a person may not have the necessary permits to operate, the person will be deemed to be registered for Environmental Levy, if their operations fall within the description of prescribed services.

¹ Sayed-Khaiyum Aiyaz, Minister for Finance, 2016 Budget Address, Parliament, 6 November 2015 Available at: www.finance.gov.fj/s/government-budget.html?download=439:2016-budget-address. [Accessed 6 July 2016]

² Fiji Revenue and Customs Authority (FRCA), *Tax Talk – Environmental Levy: Fiji Times interview with FRCA CEO* 2 December 2015. Available at: <http://www.frca.org.fj/wp-content/uploads/2015/07/49.Environmental-Levy-Tax-Talk.pdf> [Accessed 5 July 2016]

³ *ibid*



Bill Summary

Objectives, scope and intent of the Bill

As outlined in the Explanatory Note, the primary purpose of the amendment is to include chartered transport services which are provided to tourists by omnibus and mini-bus operators.

Summary of provisions

Short title and commencement

Clause 1(1) – this law may be cited as the Environmental Levy (Budget Amendment) Act 2016.

Clause 1(2) – the Act comes in to force on 1 August 2016.

Schedule Amended

Clause 2 amends paragraph 9 of the Schedule to the Act by inserting the following (**in bold**):

*9. Provision of services relating to hire or rent of motor vehicle by a person that operates a business of hired cars or rental cars licensed by the Land Transport Act 1998, **and the provision of chartered transport services to tourists by an omnibus or a mini-bus operator.***

Service Turnover Tax (STT) and **Environmental Levy (EL)** will now be charged on bus companies that engage in carriage of tourists.

Ministerial Responsibility - The explanatory notes says that the Act comes under the responsibility of the Minister responsible for Finance.

International comparisons

Australia

Tourism levies are generally used to fund activities that benefit the industry or region as a whole or promote tourism in a particular area. These are not levied to tour operators, but rather to residents and form part of local residential rates. More general levies differ from state to state but can also be included in local council rates such as the fire levy, heritage levy or environment levy⁴.

Queensland

The Great Barrier Reef Marine Park Authority (GBRMPA) has an '*environmental management charge*' which it issues to commercial tourism operations, non-tourist charter operations, and facilities, which must operate under a permit. Tourism operations, Marine Park visitors participating in a tourist activity are liable to pay the charge to the permittee, who then remits the charge to GBRMPA⁵.

New Zealand

In 2008, NZ attempted to introduce an environmental tax on tourists entering the country - this was labelled as a 'green tax' on tourists, but proved to be very unpopular and was never introduced. This proposed tax was not aimed at tour operators⁶.

⁴ **Australian Government**, *Tourism industry fact sheet* (2016). Available at <http://bit.ly/28Xoi6s> [Accessed on 28 June 2016]

⁵ **Great Barrier Reef Marine Park Authority**, *Environmental management charge*. Available at <http://bit.ly/292JEBB> [Accessed 29 June 2016]

⁶ **Tamsyn Parker** (2008) *Minister floats 'green tax' on tourists*. NZ Herald, 5 June 2008. Available at <http://bit.ly/292JrhZ> [Accessed 29 June 2016]



Bill Summary

In 2014, the Tourism Bay of Plenty council imposed a new 15 per cent levy on tours sold, making it compulsory for tour bus operators picking up cruise ship passengers in Tauranga. This was unfair by the Tauranga Cruise Tourism Operators Association⁷.

China

In 2015, the Chinese government released a draft of a new environmental tax. However this was not targeted towards tourism operators, but rather a general tax against companies based on the amount of pollution they produce. It creates four broad categories of pollution (air, noise, solid waste and water) and specifies punishments for noncompliance. It also identifies sectors (including agriculture) that would be granted exemptions⁸.

Gender analysis

The Bill does not have any disproportionate impact on women and men.

Further information

- Environmental Levy (Budget Amendment) Bill 2016 – No.37 of 2016. Available at: [http://www.parliament.gov.fj/getattachment/Parliament-Business/Bills/2016-Bills/Bill-No-37-Environmental-Levy-\(Budget-Amendment\).pdf](http://www.parliament.gov.fj/getattachment/Parliament-Business/Bills/2016-Bills/Bill-No-37-Environmental-Levy-(Budget-Amendment).pdf)
- Environmental Levy Act 2015 – Act No.25 of 2015. Available at: <http://www.parliament.gov.fj/getattachment/Parliament-Business/Acts/Act-No-20-Environmental-Levy.pdf.aspx>
- Fiji Revenue and Customs Authority, Environmental Levy. Available at: <http://www.frca.org.fj/environmental-levy-2/>

Disclaimer

This briefing was prepared to assist consideration of the Bill by Members of Parliament. It has no official status. Although every effort has been made to ensure accuracy, it should not be taken as a complete or authoritative guide to the Bill. The Research and Library Team shall not be liable for any errors or omissions, or for any loss or damage of any kind arising from its use, and may remove, vary or amend any information at any time without prior notice. The Research and Library Team accepts no responsibility for any references or links to, or the content of, information maintained by third parties. Other sources should be consulted to determine the subsequent official status of the Bill.

⁷ Georgia Nelson (2014), *Tour bus levy annoys Tauranga operators*. Newstalk ZB, 8 October 2014. Available at <http://bit.ly/29meKDL> [Accessed 29 June 2016]

⁸ Economist Intelligence Unit (2016) *Organising an investment: Environmental law*, 1 Feb 2016. Available from Factiva [Accessed 1 July 2016]



Bill Summary

Annex A

ENVIRONMENTAL LEVY ACT 2015 (pg. 529-530)

SCHEDULE

(Section 2)

PRESCRIBED SERVICES

1. Provision of accommodation, refreshments and any other services by a licensed hotel.
2. Any services provided in a vessel that is wholly or principally engaged in the carriage of tourists within Fiji.
3. Provision of meals or beverages, and any other services in a licensed bar. For the purpose of this paragraph, "bar" includes any club.
4. Provision of services such as music, dancing or other entertainment including other services in a licensed nightclub.
5. Provision of inbound tour services.
6. Live entertainment provided wholly or substantially by the personal participation of artists at the place of performance or exhibition of products, where a fee is charged.
7. Provision of services for recreational activity for gain.
8. Provision of services relating to any exhibition of films to the public or to a section of the public which includes the production of any music, speech or other sound whatsoever in connection with the projection of a film, where the exhibitor is licensed under the Cinematographic Films Act (Cap. 271) and a charge is made for admission to the premises which the exhibition is held, including any other services provided by cinema operators.
9. Provision of services relating to hire or rent of motor vehicle by a person that operates a business of hired cars or rental cars licensed by the Land Transport Act 1998.
10. Provision of meals, beverages and other services by bistros or coffee shops and their annual gross turnover is over \$1.25 million.
11. Provision of meals, beverages and other services regularly supplied on sale to the public by a licensed restaurant with an annual gross turnover of over \$1.25 million.
12. Provision of charter flight services provided by an aircraft or helicopter registered with the Civil Aviation Authority of Fiji, except for medical or natural disaster relief evacuation services.
13. Provision of all water sports including under water activities and river safaris.
14. Provision of accommodation in a private residence or property that accommodates tourists, international students or overseas visitors who are paying guests excluding any pre-school registered by the Ministry of Education, primary school, secondary school, the Fiji National University, Montfort Boystown, the Pacific Regional Seminary, the Pacific Theological College and the University of the South Pacific, or any other similar educational institution as approved by the Commissioner, but does not include any educational institution that is carried on for the purposes of commercial profit or gain to any proprietor, member, or shareholder.
15. Provision of similar services listed in all the above conducted by an unlicensed operator.