

F1 and F2 Incentives

The F1 or F2 Audio Visual Production (AVP) incentives are schemes whereby a production entity can raise production finance from Fiji taxpayers. This allows Fiji taxpayers to claim a tax deduction of either 125% (F2 AVP) or 150% (F1 AVP) against their tax liability, depending on the project's ability to meet the requirements as set out under the Sixth Schedule.

The benefit is based on what is called "Qualifying Fiji Production Expenditure" or QFPE. This is otherwise known as "local spend" such as expenditures on local labour, local accommodation, the hire of local equipment.

Does local spend include the following:

- Foreigners working in Fiji?
Only if they are paid from a Fiji Bank Account.
- Finance Fees?
Yes – 8% of the production budget [para 11]
- Bond Fees?
No
- Per diems?
Yes

Eligibility – who can access the relief?

Inclusions

Paragraph 12 states that, subject to paragraphs 13 to 15, "audio-visual production" means the production, wholly or principally for exhibition or sale, or use in the conduct of business, of—

- (a) a large format film in large format theatres;
- (b) a theatrical film or a short film in cinemas;
- (c) broadcast television programmes by—
 - (i) broadcast on free-to-air, satellite or pay television; or
 - (ii) internet broadcast;
- (d) a direct-to-video and video disk programme;

- (e) an audio recording;
- (f) computer software for use solely in relation to sub-paragraphs (a), (b), (c), (d) or (e) of this paragraph; and;
- (g) interactive websites and other e-commerce and telecommunications operations for use solely in relation to sub-paragraphs (a), (b), (c), (d), or (e) of this paragraph.

Pursuant to Paragraph 14, a reference to an audio-visual production does not include a reference to an audio-visual production that is or is intended to be to a substantial extent—

- (a) an audio-visual production for exhibition as an advertising programme or a commercial other than where that advertising programme or commercial is part of the marketing budget of an audio-visual production and is only advertising the audio-visual production which has funded it;
- (b) an audio-visual production for exhibition as a discussion programme, a quiz programme, a panel programme, a variety programme or a programme of like nature;
- (c) an audio-visual production which is substantially (more than 50%) of a public event; and
- (d) an audio-visual production produced principally as a training aid.

Exclusions

It also does not include (as per Paragraph 15) a reference to an audio-visual production that is or is intended to be—

- (a) an extension of broadcast television programmes beyond the first 26 episodes of a continuing series;
- (b) an extension of broadcast television programmes and television movies beyond 2 full length films in a continuing series;
- (c) more than 2 audio recordings by the same artist or substantially the same artist;
- (d) more than one short film by an individual director.

How does the mechanism work and what is the process?

Application for a Provisional Certificate

An Applicant must apply to the FAVC for a Provisional Certificate stating that a proposed AVP will, when complete, be a qualifying AVP [para. 17].

An Application Form must be filled out and will include an Application Fee, Script or Synopsis, Budget in FJD, Completion Bond Certificate etc.

Prior to the commencement of the production 100% of the production budget must be deposited in a Fiji AVP Account and the Audio Visual Levy must be paid [para. 35(c)].

During Production a Monthly Production Report including a Cost Report is to be filed with the FAVC.

Once a Provisional Certificate is issued, the film should be completed 24 months after the end of the year of assessment in which monies of a capital nature were first expended.

Application for a Final Certificate

Within 6 months of the end of the Audio Visual Production, the applicant should apply for a Final Certificate.

An Application Form for a Final Certificate must be filled out and will include an Application Fee, Detailed Expenditure Report, Independent Audit Report, Documents showing compliance with the Provisional Certificate, Shooting Script, VHS Tapes and/or DVDs of the completed production with the final end credits, Broadcast Masters, Copy of Press Kit, Full Cast & Crew List and addresses etc.

What percentage of the film has to be shot in Fiji and what percentage of the Budget needs to be spent in Fiji?

Minimum % Film – No minimum % stipulated.

Minimum % Budget Spend - 35% of the total production budget. From 1st January 2007, this will increase to 55%

Are there any limitations?

Where the production entity has chosen to use this scheme, it cannot obtain any other tax concessions under Parts II and IV of the 6th Schedule.

The film cannot be culturally derogative in its portrayal of the Fiji Islands or the people of the Fiji Islands.

What are the audit requirements?

A set of Audited Accounts must be given to the FAVC along with the Application for a Final Certificate.