



Corporate Reorganization

This issue highlights the measures that were taken in the 2020/2021 National Budget on Corporate Reorganization.

Reorganization has become an increasingly relevant topic in Fiji leading to the question of how entities involved in reorganization transactions, as well as their shareholders, should be taxed for the transfer of assets amongst the transferor individual and company with the transferee and transferee companies.

As per the National Budget, deferral rules for corporate reorganisation has been introduced, whereby the transfer of assets by a shareholder to a company will not be subject to tax.

The deferral rules for individual/company reorganization are met when the following conditions are met:

- a resident individual/company (transferor) disposes of an asset to a resident company; and
- the transferee resident company is wholly owned by the resident individual or company.

Considerations

- The consideration for transfer should be at the cost of the asset. However, if the consideration exceeds the costs, normal income tax rules would apply in such cases.
- The Shareholder structure of the company should not change within two years. If there is a change in shareholding of the transferee company within two years from the date of disposal, any taxes applicable at the time of disposal shall immediately become payable.

Should you require our service on the above, then please contact us on sanjayr@hlbnadi.com.fj or atnesh@hlbnadi.com.fj and we will attend to your request.

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