FIJI REVENUE AND CUSTOMS SERVICE

STANDARD INTERPRETATION GUIDELINE 2024-09

INCOME TAX (RATES AND LEVIES) REGULATION 2016 – CHANGE IN INCOME TAX RATES FOR INDIVIDUALS

This Standard Interpretation Guideline (SIG) sets out Fiji Revenue and Customs Service's (FRCS) policy and operational practice in relation to the 2023-2024 Budget change in the rates of Taxes and Levies.

The SIG is issued with the authority of the Chief Executive Officer (CEO) of FRCS.

All legislative references in this SIG are to the Income Tax Act 2015 and its Regulations (unless otherwise stated).

This SIG is in effect from 1 January 2024 and may need to be reviewed in the event of any relevant legislative amendments.

CONTENT

PURPOSE

1. The purpose of this Standard Interpretation Guideline (SIG) is to provide practical guidance on CEO's interpretation on the imposition of tax on the income of individuals with chargeable income over $270,000 as part of the 2023-2024 National Budget Amendments for Income Tax.

2. This SIG explains the removal of Social Responsibility Tax (SRT) and the change in tax rates for individuals that used to pay SRT. The effective date for the new rates is 1 January 2024.

INTRODUCTION

3. Section 8 of the Income Tax Act (ITA) provides for the imposition of income tax on a person's chargeable income.[1]

4. In addition to Income tax, a separate tax known as Social Responsibility Tax (SRT) was imposed on individuals whose chargeable income was above $270,000. This was applicable till 31 December 2023.[2]

5. From 1 January 2024:

   - chargeable income that used to be subject to SRT has been incorporated into the income tax brackets with its new rates.[3]

   - the SRT exemption for one off payments no longer applies.[4]

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6. The removal of SRT streamlines the filing and payment of two distinct tax types into a single process, aligning effectively with ongoing improvements in the Fiji tax systems to enhance simplicity and efficiency.

7. The examples used throughout this SIG are merely illustrative. They do not cover the number of factual scenarios that may arise. The relevant legislative provisions must be considered and applied to each case on its particular facts. That is, conclusions should not be drawn by determining whether the facts of a particular case may be analogous with examples but rather on the basis of applying the correct tests established by the law.

8. The full text of the legislative provisions is contained in the Appendix.

LEGISLATIVE ANALYSIS

Imposition of Income Tax

9. Section 8(1) of the Income Tax Act 2015 provides for the imposition of tax on the chargeable income of individuals –

[1] Section 13 Income Tax Act 2015
[2] Income Tax (Budget Amendment) Act No. 5 of 2023 amended Section 8 of the Principal Act by deleting all references to "Social Responsibility Tax" effective from 1 January 2024
[3] Regulation 3 of the Income Tax (Rates of Tax and Levies) (Amendment) Regulations 2023 amended the tax rates for individuals earning above $270,000 effective from 1 January 2024
[4] Section 3(c) Act No. 5 of 2023 in the Income Tax Act 2015

(1) Subject to this Act, a tax to be known as "Income Tax" is imposed for each tax year at the rate or rates prescribed by Regulations made under this Act on a person who has chargeable income for the year.

10. The tax rates are prescribed in the Income Tax (Rates of Tax and Levies) Regulations 2016 with details provided in paragraph 13.

11. SRT on chargeable income[5] over $270,000, was deleted with effect from 1 January 2024[6] therefore the "SRT ring-fenced payments" that were SRT-free no longer applies. Such payments must be included in chargeable income to determine the tax bracket and tax rate for a tax year:
    - a gain from the sale of an asset;
    - redundancy payment;
    - retiree allowances;
    - gratuity allowances; or
    - exit inducement payments.

Example 1:
Ben was employed by Company X on an annual salary of $260,000. The company is re-structuring, resulting in staff redundancy. On 20th October, Company X paid Ben $100,000 as part of his redundancy package. Income earned till October was only $225,000.

What is Ben's tax payable for the year 2023?

CEO's position:

Chargeable Income = 310,000 (225,000 + [100,000 - 15,000*])
IT calculation = 53,600 + 20% x (310,000-300,000)
= 53,600 + 20% x 10,000
= 53,600 + 2,000
Income Tax = $55,600
SRT = $0 (Exempt from SRT as Chargeable income for SRT purposes is $225,000)

* $15,000 Redundancy payment is exempt from Income tax

Example 2:
Ben was employed by Company X on an annual salary of $260,000. The company is re-structuring, resulting in staff redundancy. On 20th October, Company X paid Ben $100,000 as part of his redundancy package. Income earned till October was only $225,000.

What is Ben's tax payable for the year 2024?

CEO's position:

Chargeable Income = 310,000 (225,000 + [100,000 - 15,000])
IT calculation = 57,500 + 34% x (310,000-300,000)
= 57,500 + 34% x 10,000
= 57,500 + 3400.00
Income Tax = $60,900

[5] Section 13 – ITA 2015
[6] Section 8(8) under which one off payments were not subject to SRT was deleted with effect from 1 January 2024 - Income Tax (Budget Amendment) Act No. 5 of 2023

Calculation of tax payable

12. Section 8(2) sets out how tax payable is calculated with effect from 1 January 2024[7] -

> *"The Income Tax imposed under subsection (1) for a tax year is computed by applying the rate or rates of Income Tax applicable to the person prescribed by Regulations made under this Act to the chargeable income of the person for the year, with any tax credits allowed to the person for the year, subtracted from the resulting amount"*

13. Once a taxpayer's chargeable income is determined, the next step is to apply the relevant tax rate.

14. The individual tax rates for the 2024 tax year onwards is tabulated below –

Chargeable Income ($)	Resident Individuals Income Tax $	Non-Resident Individuals Income Tax $
0 - 30,000	Nil	20% of excess over $0
30,001 - 50,000	18% of excess over $30,000	$6,000 + 20% of excess over $30,000
50,001 - 270,000	$3,600 + 20% of excess over $50,000	$10,000 + 20% of excess over $50,000
270,001 - 300,000	$47,600 + 33% of excess over $270,000	$54,000 + 33% of excess over $270,000
300,001 - 350,000	$57,500 + 34% of excess over $300,000	$63,900 + 34% of excess over $300,000
350,001 - 400,000	$74,500 + 35% of excess over $350,000	$80,900 + 35% of excess over $350,000
400,001 - 450,000	$92,000 + 36% of excess over $400,000	$98,400 + 36% of excess over $400,000
450,001 - 500,000	$110,000 + 37% of excess of $450,000	$116,400 + 37% of excess over $450,000
500,001 - 1,000,000	$128,500 + 38% of excess over $500,000	$134,900 + 38% of excess over $500,000
1,000,001 +	$318,500 + 39% of excess over $1,000,000	$324,900 + 39% of excess over $1,000,000

Example 3:
Samantha is a resident with chargeable income of $360,000 in the tax year 2024.
What is her income tax payable for 2024?

CEO's position:

Chargeable Income falls in the 6th income tax bracket for residents:
Income tax payable = $74,500 + 35% of excess over $350,000
= $74,500 + 35% x ($360,000 - $350,000)
= $74,500 + 35% x $10,000
= $74,500 + $3,500
= **$78,000**

Example 4:
Robin is a non-resident with a chargeable income of $429,000 in 2024.
What is his income tax payable for 2024?

[7] Income Tax (Budget Amendment) Act No. 5 of 2023

CEO's position:

Chargeable Income falls in the 7th income tax bracket for non-residents:

Income tax payable	= \$98,400 + 36% of excess over \$400,000
	= \$98,400 + 36% x (\$429,000 - \$400,000)
	= \$98,400 + 36% x \$29,000
	= \$98,400 + \$10,440
	= **\$108,840**

Effect of the change in resident tax rates

15. Tabulated below are the resident tax rates for the tax years 2024 and 2023:

Chargeable Income (\$)	2024 Income Tax (\$)	2023 Income Tax (\$)	2023 Social Responsibility Tax (\$)
0 - 30,000	Nil	Nil	Nil
30,001 - 50,000	18% of excess over \$30,000	18% of excess over \$30,000	Nil
50,001 - 270,000	\$3,600 + 20% of excess over \$50,000	\$3,600 + 20% of excess over \$50,000	Nil
270,001 - 300,000	\$47,600 + 33% of excess over \$270,000	\$47,600 + 20% of excess over \$270,000	18% excess over \$270,000
300,001 - 350,000	\$57,500 + 34% of excess over \$300,000	\$53,600 + 20% of excess over \$300,000	\$5,400 + 19% of excess over \$300,000
350,001 - 400,000	\$74,500 + 35% of excess over \$350,000	\$63,600 + 20% of excess over \$350,000	\$14,900 + 20% of excess over \$350,000
400,001 - 450,000	\$92,000 + 36% of excess over \$400,000	\$73,600 + 20% of excess over \$400,000	\$24,900 + 21% of excess over \$400,000
450,001 - 500,000	\$110,000 + 37% of excess over \$450,000	\$83,600 + 20% of excess over \$450,000	\$35,400 + 22% of excess over \$450,000
500,001 - 1,000,000	\$128,500 + 38% of excess over \$500,000	\$93,600 + 20% of excess over \$500,000	\$46,400 + 23% of excess over \$500,000
1,000,001 +	\$318,500 + 39% of excess over \$1,000,000	\$193,600 + 20% of excess over \$1,000,000	\$161,400 + 24% of excess over \$1,000,000

16. The following examples show the effect of the change in income tax rates for resident individuals.

Example 5 – If Chargeable income is \$280,000, what is the change in tax payable from 2023 and 2024?

2023	Income tax = \$47,600 + 20% of excess over \$270,000 = \$47,600 + 20% x (\$280,000 - \$270,000) = \$47,600 + 20% x \$10,000 = \$47,600 + \$2,000 = **\$49,600** SRT payable = 18% of excess over \$270,000 = 18% x (\$280,000 - \$270,000) = 18% x \$10,000

	= **$1,800** Total tax payable = Income tax + SRT = $49,600 + $1,800 =**$51,400**
2024	Tax payable = $47,600 + 33% of excess over $270,000 = $47,600 + 33% x ($280,000 - $270,000) = $47,600 + 33% x $10,000 = $47,600 + $3,300 = **$50,900**
	Tax Payable 2023 = $51,400 **Tax Payable 2024 = $50,900** **Net tax effect = $500**

Example 6 - If Chargeable income is $450,000, what is the change in tax payable from 2023 and 2024?

2023	Income tax = $73,600 + 20% of excess over $400,000 = $73,600 + 20% x ($450,000 - $400,000) = $73,600 + 20% x $50,000 = $73,600 + $10,000 = $83,600 SRT Tax payable = $24,900 + 21% of excess over $400,000 = $24,900 + 21% ($450,000 - $400,000) = $24,900 + 21% x $50,000 = $24,900 + $10,500 = $35,400 Income tax - $83,600 SRT - $35,400 **Total - $119,000**
2024	Tax payable = $92,000 + 36% of excess over $400,000 = $92,000 + 36% x ($450,000 - $400,000) = $92,000 + 36% x $50,000 = $92,000 + $18,000 = **$110,000**
	Tax Payable 2023 - $119,000 **Tax Payable 2024 - $110,000** **Net effect - $9,000**

Effect of the change in non-resident tax rates

17. Tabulated below are the non-resident tax rates for the tax years 2024 and 2023:

Chargeable Income ($)	2024 Income Tax ($)	2023 Income Tax ($)	2023 Social Responsibility Tax ($)
0 - 30,000	20% of excess over $0	20% of excess over $0	Nil
30,001 - 50,000	$6,000 + 20% of excess over $30,000	$6,000 + 20% of excess over $30,000	Nil
50,001 - 270,000	$10,000 + 20% of excess over $50,000	$10,000 + 20% of excess over $50,000	Nil
270,001 - 300,000	$54,000 + 33% of excess over $270,000	$54,000 + 20% of excess over $270,000	18% of excess over $270,000
300,001 - 350,000	$63,900 + 34% of excess over $300,000	$60,000 + 20% of excess over $300,000	$5,400 + 19% of excess over $300,000
350,001 - 400,000	$80,900 + 35% of excess over $0,000	$70,000 + 20% of excess over $350,000	$14,900 + 20% of excess over $350,000
400,001 - 450,000	$98,400 + 36% of excess over $400,000	$80,000 + 20% of excess over $400,000	$24,900 + 21% of excess over $400,000
450,001 - 500,000	$116,400 + 37% of excess	$90,000 + 20% of excess over $450,000	$35,400 + 22% of excess over $450,000
500,001 - 1,000,000	$134,900 + 38% of excess over $500,000	$100,000 + 20% of excess over $500,000	$46,400 + 23% of excess over $500,000
1,000,001 +	$324,900 + 39% of excess over $1,000,000	$200,000 + 20% of excess over $1,000,000	$161,400 + 24% of excess over $1,000,000

18. The following examples show the effect of the change in the income tax rates for non-residents.

Example 7 - If Chargeable income is $280,000, what is the change in tax payable from 2023 and 2024?

2024	Tax payable = $54,000 + 33% of excess over $270,000 = $54,000 + 33% x ($280,000 - $270,000) = $54,000 + 33% x $10,000 = $54,000 + $3,300 = **$57,300**
2023	Income tax = $54,000 + 20% of excess over $270,000 = $54,000 + 20 % x ($280,000 - $270,000) = $54,000 + 20% x $10,000 = $54,000 + $2,000 = **$56,000** SRT payable = 18% of excess over $270,000 = 18% x ($280,000 - $270,000) = 18% x $10,000 = **$1,800** Income tax - $56,000 SRT - $1,800

	Total - **$57,800**
	Tax Payable 2023 - $57,800 **Tax Payable 2024 - $57,300** **Net Effect - $500**

Example 8 - If Chargeable income is $450,000, what is the change in tax payable from 2023 and 2024?

2024	Tax payable = $98,400 + 36% of excess over $400,000 = $98,400 + 36% x (450,000 - $400,000) = $98,400 + 36% x $50,000 = $98,400 + $18,000 = **$116,400**
2023	Income tax = $80,000 + 20% of excess over $400,000 = $80,000 + 20% x ($450,000 - $400,000) = $80,000 + 20% x $50,000 = $80,000 + $10,000 = **$90,000** SRT payable = $24,900 + 21% of excess over $400,000 = $24,900 + 21% x ($450,000 - $400,000) = $24,900 + 21% x $50,000 = $24,900 + $10,500 = **$35,400** Income tax - $90,000 SRT - $35,400 Total - **$125,400**
	Tax Payable 2023 - $125,400 **Tax Payable 2024 - $116,400** **Net Effect - $9,000**

19. For further information and clarification in regard to this SIG, please email us at tipu@frcs.org.fj

ACT NO. 5 OF 2023

I assent.

W. KATONIVERE
President

[14 July 2023]

AN ACT

TO AMEND THE INCOME TAX ACT 2015

ENACTED by the Parliament of the Republic of Fiji—

Short title and commencement

1.—(1) This Act may be cited as the Income Tax (Budget Amendment) Act 2023.

(2) This Act comes into force on 1 August 2023 except—

(a) section 7 which is deemed to have come into force on 1 July 2023; and

(b) sections 2, 3, 5, 6 and 8 to 11 which come into force on 1 January 2024.

(3) In this Act, the Income Tax Act 2015 is referred to as the "Principal Act".

Section 2 amended

2. Section 2 of the Principal Act is amended by—

(a) in the definition of "generally accepted accounting principles", deleting "Fiji Institute of Accountants Act 1971" and substituting "Fiji Institute of Chartered Accountants Act 2021"; and

(b) deleting the definition of "Social Responsibility Tax".

Section 8 amended

3. Section 8 of the Principal Act is amended by—

(a) in the heading, deleting " and Social Responsibility Tax";

(b) deleting subsections (2) and (3) and inserting the following—

"(2) The Income Tax imposed under subsection (1) for a tax year is computed by applying the rate or rates of Income Tax applicable to the person prescribed by Regulations made under this Act to the chargeable income of the person for the year, with any tax credits allowed to the person for the year, subtracted from the resulting amount"; and

(c) deleting subsections (7) and (8).

Section 10 amended

4. Section 10 of the Principal Act is amended by deleting subsection (8).

Section 22 amended

5. Section 22(1) of the Principal Act is amended by deleting paragraph *(h)* and substituting the following—

"*(h)* Income Tax or Capital Gains Tax payable in Fiji or elsewhere, including any penalty, additional tax or interest payable in respect of Income Tax, Capital Gains Tax or fringe benefits tax due;".

Section 60 amended

6. Section 60(8) of the Principal Act is amended in the definition of "Fiji Income Tax" by deleting "and Social Responsibility Tax" .

Section 67 amended

7. Section 67 of the Principal Act is amended by—

(a) in subsection (1), deleting paragraph *(i)*;

(b) in subsection (4)—

(i) deleting paragraph *(a)*(i) and substituting the following—

"first residential property" means the first residential property that a resident individual or Fiji citizen has acquired, and who has sole ownership or co-owns the same with his or her spouse, parents, siblings, children, grand parents or grandchildren;";

(ii) in paragraph *(b)*, deleting "."and substituting ";";

(iii) after paragraph *(b)*, inserting the following new paragraph—

"*(c)* paragraph *(a)*(i), "spouse" includes a spouse in a *de facto* relationship as defined in the Family Law Act 2003."; and (*c*) deleting subsection (5) and substituting the following—

"(5) For the avoidance of doubt, any person who was liable for Capital Gains Tax on the disposal of shares before the commencement of section 3 of the Income Tax (Amendment) (No. 2) Act 2021 and had not paid Capital Gains Tax is liable to pay it as if the former subsection (5) of section 67 had not been enacted.".

Part 9 amended

8. Part 9 of the Principal Act is amended in Division 2—

(*a*) in the heading, deleting ", SOCIAL RESPONSIBILTY TAX"; and

(*b*) in Subdivision 2 in the heading, deleting "and Social Responsibility Tax".

Section 108 amended

9. Section 108(1) of the Principal Act is amended by deleting "and Social Responsibility Tax".

Section 110 amended

10. Section 110 of the Principal Act is amended by deleting subsection (14).

Section 111 amended

11. Section 111 of the Principal Act is amended by deleting subsection (3).

Consequential amendment

12. The Environment and Climate Adaptation Levy Act 2015 is amended by—

(*a*) in section 10, deleting "and shall form part of the Social Responsibility Tax under the Income Tax Act 2015"; and

(*b*) deleting section 11.

Passed by the Parliament of the Republic of Fiji this 14th day of July 2023.

Price: 53c

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[LEGAL NOTICE NO. 55]

INCOME TAX ACT 2015

Income Tax (Rates of Tax and Levies) (Amendment) Regulations 2023

IN exercise of the powers conferred on me by section 142 of the Income Tax Act 2015, I hereby make these Regulations—

Short title and commencement

1.—(1) These Regulations may be cited as the Income Tax (Rates of Tax and Levies) (Amendment) Regulations 2023.

(2) These Regulations comes into force on 1 August 2023 except for regulation 3*(a)* which comes into force on 1 January 2024.

(3) In these Regulations, the Income Tax (Rates of Tax and Levies) Regulations 2016 is referred to as the "Principal Regulations".

Regulation 10 amended

2. The Principal Regulations are amended by deleting regulation 10 and substituting the following—

"*Savings and transitional for companies listed on the South Pacific Stock Exchange*

10.—(1) The tax rate of 10% applicable to a company listed on the South Pacific Stock Exchange for 7 years or less applies until the end of the company's tax year 2022.

(2) The tax rate of 15% applies to a company listed on the South Pacific Stock Exchange until the end of the company's 7th tax year from the date of listing.

(3) The tax rate of 25% applies to a company from the company's tax year 2023, provided that the company has been listed on the South Pacific Stock Exchange for more than 7 tax years.".

Schedule amended

3. The Schedule to the Principal Regulations is amended by—

(a) deleting paragraph 1 and substituting the following—

"(1) The rates of Income Tax for individuals are —

Resident Individuals

Chargeable Income $	*Income Tax $*
0 – 30,000	Nil
30,001 – 50,000	18% of excess over $30,000
50,001 – 270,000	$3,600 + 20% of excess over $50,000
270,001 – 300,000	$47,600 + 33% of excess over $270,000
300,001 – 350,000	$57,500 + 34% of excess over $300,000

Chargeable Income $	*Income Tax $*
350,001 – 400,000	$74,500 + 35% of excess over $350,000
400,001 – 450,000	$92,000 + 36% of excess over $400,000
450,001 – 500,000	$110,000 + 37% of excess over $450,000
500,001 – 1,000,000	$128,500 + 38% of excess over $500,000
1,000,001 +	$318,500 + 39% of excess over $1,000,000

Non-resident Individuals

Chargeable Income $	*Income Tax $*
0 – 30,000	20% of excess over $0
30,001 – 50,000	$6,000 + 20% of excess over $30,000
50,001 – 270,000	$10,000 + 20% of excess over $50,000
270,001 – 300,000	$54,000 + 33% of excess over $270,000
300,001 – 350,000	$63,900 + 34% of excess over $300,000
350,001 – 400,000	$80,900 + 35% of excess over $350,000
400,001 – 450,000	$98,400 + 36% of excess over $400,000
450,001 – 500,000	$116,400 + 37% of excess over $450,000
500,001 – 1,000,000	$134,900 + 38% of excess over $500,000
1,000,001 +	$324,900 + 39% of excess over $1,000,000

";

(b) in paragraph 3—

(i) in subparagraph *(b)*, deleting "10%" and substituting "15% for tax year 2023 onwards"; and

(ii) in subparagraph *(c)*, deleting "20%" and substituting "25% for tax year 2023 onwards"; and

(c) in paragraph 4, deleting "20%" and substituting "25% for tax year 2023 onwards".

Made this 31st day of July 2023.

M. S. N. KAMIKAMICA
Deputy Prime Minister and
Acting Minister for Finance