FIJI REVENUE AND CUSTOMS SERVICE

# STANDARD INTERPRETATION GUIDELINE 2024-20

## INCOME TAX ACT 2015 – FRINGE BENEFIT TAX ON MOTOR VEHICLE FRINGE BENEFIT

This Standard Interpretation Guideline (SIG) sets out Fiji Revenue and Customs Service's (FRCS) policy and operational practice in relation to the application and administration of Fringe Benefit Tax ("FBT") on Motor Vehicle Fringe Benefit provided by an employer to its employees and associates.

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

Legislative references in this SIG are to the Income Tax Act 2015 and any Regulations (unless otherwise stated).

This SIG is in effect from 1 January 2025 and may need to be reviewed in the event of any relevant legislative amendments.

**CONTENT**

**PURPOSE**

1. The purpose of this SIG is to discuss CEO's interpretation and application of fringe benefit tax (FBT) on motor vehicle fringe benefits as set out in section 78 of the Income Tax Act 2015 (ITA).

2. This SIG includes the 2024-2025 National Budget amendments that have been effected through the Income Tax (Budget Amendment) Act 2024 (Act No. 5 2024).

**INTRODUCTION**

3. It is common for employers to include fringe benefits in employees' remuneration packages to attract or retain employees.

4. The word "fringe" may be defined as being "on the edge", "a border" or "not part of the main". The word "benefit" may be understood as "an advantage or profit gained from something". Thus, a "fringe benefit" is to be understood as a benefit that an employee receives, but which does not form part of the employee's primary remuneration package (i.e. an employee's salary cash value).

5. A fringe benefit is payment relating to employment, made by an employer, as a result of which the employee receives a benefit.

6. It is taxable[1] if provided by an employer or associate of an employer to its employees and associates unless exempt from income tax and/or FBT[2].

7. Fringe benefits that are subject to FBT are the ones in respect of "non-cash" benefits. Such fringe benefits are not subject to income tax[3] if subject to FBT and is payable by the employer.

8. For taxable *motor vehicle fringe benefits*, the following applies with effect from 1 January 2025:
   - value of the fringe benefit per quarter has increased; and
   - new category for electric cars.

9. Examples illustrated in this SIG demonstrate the CEO's interpretation and application of thetaxation implications relating to the application of motor vehicle fringe benefit and the transportation services provided by an employer or associate of an employer to its employees andassociates. The examples do not cover the infinite 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 particulars case maybe analogous with particular examples, but rather on the basis of applying the correct tests established by the law.

[1] Section 72(1) ITA
[2] Section 15 (Employment Income) and Section 71(1) ITA
[3]Exceptions under Section 70(3) ITA

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

**LEGISLATIVE ANALYSIS**

***Imposition of Fringe Benefits Tax***

11. The taxation of fringe benefits is set out in sections 69 to 81 ITA. The rules on the taxation of motor vehicle fringe benefits is in section 78.

12. FBT for a quarter is computed by applying the prescribed rate (currently 20%)[4], to the fringe benefits taxable amount[5] for the quarter e.g if the fringe benefits taxable amount for a quarter is $5000, FBT is $1000 ( $5000 x 20%).

13. FBT applies only when there is an employer-employee relationship under the terms of an employment agreement, including implied contracts of employment. The relevant terms are defined in section 2 ITA:

(a) 'employer' means a person who engages or remunerates an employee.

(b) 'person' is defined in section 2 to mean an individual, company, partnership, trust, government, political subdivision of a government, or international organization

(c ) 'employee' means an individual engaged in employment.

(d) 'employment' includes positions such as:
- that held by directors and/or shareholders in the management of a company;
- any position entitling the holder to a remuneration; or
- the holding/acting in any public office (e.g board members)

14. A benefit is treated as provided by an employer to an employee if —
a) the benefit is provided to the employee by
- the employer,
- an associate of the employer, or
- a third party arranger

b) the benefit is provided by
- the employer;
- an associate of the employer; or
- or a third party arranger

to the employee or an associate of the employee[6].

[4] Section 69 and Income Tax (Rates & Levies) Regulation 2016
[5] Section 70 ITA
[6] Section 72(5)

15. The tax is payable irrespective of whether or not the employer pays income tax (i.e. income is exempt or below the taxable threshold) as FBT is not related to an employer's income but to the fringe benefits taxable amount.

16. There are 3 steps to calculate FBT for a quarter

Step 1 - find the "total value of fringe benefits" for the quarter.

Step 2 - use the formula in section 70 to compute the "fringe benefits taxable amount" for the quarter

| |
|---|
| Fringe benefits taxable amount = $\frac{A}{(1-r)}$<br>where—<br>**A** is the total value of fringe benefits provided by the employer to employees in the quarter; and<br>r is the rate of Fringe Benefits Tax prescribed by Regulations made under this Act. |

Step 3: Multiply the fringe benefits taxable amount by the FBT rate to compute the FBT per quarter.

| |
|---|
| Fringe benefit tax = $\frac{A}{(1-r)}$ x 20% |

***Motor Vehicle Fringe Benefit – Section 78***

17. Section 78 provides for the identification and valuation of a motor vehicle fringe benefit.

18. A motor vehicle fringe benefit arises when an employer provides a motor vehicle to an employee either wholly or partly for private use.[7]

19. The value of motor vehicle benefit for a quarter is as follows[8]:

| **Motor vehicle engine capacity** | **Value per quarter** |
|---|---|
| Under 1,800cc | $2000 |
| 1,800cc and < 2,000cc | $3000 |
| 2,000cc and above | $4000 |
| Irrespective of engine capacity, if the cost of the vehicle exceeds $100,000 | $5000 plus 4% of the excess of the cost above $100,000. |
| **Electric vehicle original cost** | **Value per quarter** |

[7] Section 78(1) ITA

[8] Section 78(2)

| | |
|---|---|
| < $20,000 | $2,000 |
| $20,000 - < $40,000 | $3,000 |
| $40,000- < $60,000 | $4,000 |
| Above $60,000 | $5,000 plus 4% of the excess of the cost above $60,000” |

20. As shown in the table above, the value of a motor vehicle fringe benefit is computed quarterly:
(a) electric vehicles - based on cost;
(b) other vehicles - based on engine size and with a special valuation rule if cost exceeds FJD$100,000.

**Example 1**

21. HCo provides a motor vehicle to Mr. E’s wife. Mrs. E uses the motor vehiclefor private purposes only. The engine capacity of the motor vehicle is 1700cc.

*What is the value of motor vehicle fringe benefit? What is the fringe benefit taxableamount? How much FBT should be paid per quarter?*

**CEO’s position**

*What is the value of motor vehicle fringe benefit?*
The value for a quarter is $2000 as the engine capacity is below 1800

*What is the fringe benefits taxable amount?*
Fringe benefits taxable amount = A / (1-r)

$$= \frac{\$2000}{(1-0.20)}$$

$$= \frac{\$2000}{0.8}$$

$$= \mathbf{\underline{\$2500}}$$

*How much FBT should be paid per quarter?*
FBT per quarter =$2500 x 20%
= **$500**

**Example 2**

22. ACo provides Mr E with a motor vehicle. Mr E uses the motor vehicle for private purposes only. The cost of the vehicle is $150,000.

*What is the value of the motor vehicle fringe benefit? What is the fringe benefits taxable* *amount? How much FBT should be paid per quarter?*

**CEO's position**

*What is the value of motor vehicle fringe benefit?*
The value for a quarter is $7000 computed as follows:
Value of Motor Vehicle Benefit = $5000 + 4% x ($150,000 -$100,000)
= $5000 + (4% x $50,000)
= $5000 + $2000
= <u>$7000</u>

*What is the fringe benefits taxable amount?*
Fringe benefits taxable amount = A / (1-r)

$$= \frac{7000}{(1 - 0.20)}$$

$$= \frac{\$7000}{0.8}$$

= **<u>$8750</u>**

*How much FBT should be paid per quarter?*
FBT per quarter = $8750 x 20%
= **<u>$1750</u>**

23. Section 78(3) provides an apportionment rule if a motor vehicle is used partly for private and partly for employment purposes. The value of the benefit is reduced by 50% of the value of the benefit determined under section 78(2).

**Example 3**

24. ACo provides a motor vehicle to Mr. C. Mr C's motor vehicle usage is estimated at 30% for private purposes and 70% for work purposes. The cost of the vehicle is $150,000.

*What is the value of motor vehicle fringe benefit? What is the fringe benefits taxable amount? How much FBT should be paid per quarter?*

***CEO's position***
*What is the value of motor vehicle fringe benefit?*
The value for a quarter is $3500 computed as follows:
Value of Motor Vehicle Benefit = [$5000 + 4% x ($150,000 -$100,000)] x 50%
= [$5000 + (4% x $50,000)] x 50%
= [$5000 + $2,000] x 50%
= $7,000 x 50%
**= <u>$3500</u>**

*The motor vehicle benefit will be apportioned by 50% even though the private use is determined at 30% per section 78(3) ITA.*

*What is the fringe benefit taxable amount?*
Fringe benefits taxable amount = A / (1-r)

$$= \frac{\$3500}{(1 - 0.20)}$$

$$= \frac{\$3500}{0.8}$$

$$= \underline{\mathbf{\$4375}}$$

*How much FBT should be paid per quarter?*
FBT per quarter = $4,375 x 20%
= **<u>$875</u>**

25. Section 78(4) provides an apportionment rule for a motor vehicle, used partly for private and/or partly for employment purposes, for part of a quarter. This means that the value of the benefit computed under section 78(2) or section 78(3) is based on the proportion of the quarter that the vehicle was provided wholly or partly for private use.

**Example 4**

26. BCo provides Mrs C with a motor vehicle solely for private use. The engine capacity of the vehicle is 1900cc. The motor vehicle was purchased on March 1, 2025. Usage for the quarter = 1 month

*What is the value of the motor vehicle fringe benefit? What is the fringe benefits taxable amount? How much FBT should be paid per quarter?*

**CEO's position**

*What is the value of motor vehicle fringe benefit?*
The motor vehicle benefit for a quarter is $3,000 and is apportioned as follows:
Motor Vehicle Benefit = $3,000 x 1/3
= <u>$1,000</u>

*What is the fringe benefit taxable amount?*

Fringe benefits taxable amount = A / (1-r)

$$= \frac{\$1000}{(1 - 0.20)}$$

$$= \frac{\$1000}{0.8}$$

$$= \underline{\$1250}$$

*How much FBT should be paid per quarter?*
FBT per quarter =$1250 x 20%
= **<u>$250</u>**

27. Section 78(5) provides the rules for leased vehicles:

- values will be as provided under section 78(2)

- for a vehicle with a cost exceeding FJD$100,000, the cost for valuation purposes is the fair market value (FMV) of the vehicle at the commencement of the lease.

**Example 5**

28. HCo leases motor vehicles from BC Motors. The FMV at the commencement of the lease is $120,000. The leased vehicle is given to employee Mr. J for private use only.

*What is the value of motor vehicle fringe benefit? What is the fringe benefits taxable amount? How much FBT should be paid per quarter?*

**CEO's position**

*What is the value of motor vehicle fringe benefit?*
The value of motor vehicle benefit for a quarter is computed as follows:
Motor Vehicle Benefit = [$4,000 + 4% x ($120,000 -$100,000)]
= [$4,000 + (4% x $20,000)]
= $4000 + $800
**= <u>$4,800</u>**

*What is the fringe benefit taxable amount?*
Fringe benefits taxable amount = A / (1-r)

$$= \frac{\$4800}{(1 - 0.20)}$$

$$= \frac{\$4800}{0.8}$$

$$= \mathbf{\underline{\$6,000}}$$

*How much FBT should be paid per quarter?*
FBT per quarter =$6,000 x 20%
= **<u>$1200</u>**

**Electric Vehicles**

**Example 6**

29. HCo provides an electric vehicle to Mr. E. which he uses for private purposes only. The vehicle cost $18,000.

*What is the value of motor vehicle fringe benefit? What is the fringe benefit taxable amount? How much FBT should be paid per quarter?*

**CEO's position**

*What is the value of motor vehicle fringe benefit?*
The value of motor vehicle benefit for a quarter is $2000 as the cost of the vehicle was less than $20,000.

*What is the fringe benefit taxable amount?*
Fringe benefits taxable amount = A / (1-r)

$$= \frac{\$2000}{(1 - 0.20)}$$

$$= \frac{\$2000}{0.8}$$

= **<u>$2500</u>**

*How much FBT should be paid per quarter?*
FBT per quarter =$2500 x 20%
= **<u>$500</u>**

**Example 7**

30. HCo provides a motor vehicle to Mr. D, which he uses for private purposes only. The vehicle cost $150,000.

*What is the value of motor vehicle fringe benefit? What is the fringe benefit taxable amount? How much FBT should be paid per quarter?*

**CEO's position**

*What is the value of motor vehicle fringe benefit?*
The value of motor vehicle benefit for a quarter is:

Motor Vehicle Benefit = $5000 + 4% x ($150,000 -$60,000)
= $5000 + (4% x $90,000)
= $5000 + $3600
= $8600

*What is the fringe benefit taxable amount?*
Fringe benefits taxable amount = A / (1-r)

$$= \frac{\$8600}{(1 - 0.20)}$$

$$= \frac{\$8600}{0.8}$$

= **$10,750**

*How much FBT should be paid per quarter?*
FBT per quarter =$10,750 x 20%
= **$2150**

**Example 8**

31. ACo Ltd provides an electric motor vehicle to Mr. C. Mr C's motor vehicle usage is estimated at 30% for private purposes and 70% for work purposes. The cost of the vehicle is $150,000.

*What is the value of motor vehicle fringe benefit? What is the fringe benefit taxableamount? How much FBT should be paid per quarter?*

**CEO's position**

*What is the value of motor vehicle fringe benefit?*
The value of motor vehicle benefit for a quarter is:
Motor Vehicle Benefit = $5000 + 4% x ($150,000 -$60,000) x 50%
= $5000 + (4% x $90,000) x 50%
= ($5000 + $3600) x 50%
= $8600 x 50%
= $4300

The motor vehicle benefit will be apportioned by 50% even though the private use is determined at 30% per section 78(3) ITA.

*What is the fringe benefit taxable amount?*
Fringe benefits taxable amount = A / (1-r)

= $4300

$$\frac{}{(1 - 0.20)}$$

$$= \frac{\$4300}{0.8}$$

$$= \mathbf{\underline{\$5375}}$$

*How much FBT should be paid per quarter?*

FBT per quarter =\$5375 x 20%

= **<u>\$1075</u>**

**Example 9**

32. BCo provides an electric motor vehicle to Mrs. C. Mrs C uses the motor vehicle solely for private purposes. The car cost \$38,000. The motor vehicle was purchased on March 1, 2025 and was used by Mrs. C for one month of the first quarter.

*What is the value of motor vehicle fringe benefit? What is the fringe benefit taxableamount? How much FBT should be paid per quarter?*

**CEO's position**

*What is the value of motor vehicle fringe benefit?*

The motor vehicle benefit for a quarter is computed as follows:

Motor Vehicle Benefit = \$3000 x 1/3

= <u>\$1,000</u>

*What is the fringe benefit taxable amount?*

Fringe benefits taxable amount = A / (1-r)

$$= \frac{\$1000}{(1 - 0.20)}$$

$$= \frac{\$1000}{0.8}$$

$$= \mathbf{\underline{\$1250}}$$

*How much FBT should be paid per quarter?*

FBT per quarter =\$1250 x 20%

= **<u>\$250</u>**

**Example 10**

33. HCo leases an electric motor vehicle from BC Motors. The FMV of the vehicle at the commencement of the lease is $120,000. The leased vehicle is used by employee Mr. J for private use only.

*What is the value of motor vehicle fringe benefit? What is the fringe benefit taxableamount? How much FBT should be paid per quarter?*

**CEO's position**

*What is the value of motor vehicle fringe benefit?*

The value of motor vehicle benefit for a quarter is:

Motor Vehicle Benefit = [$5000 + 4% x ($120,000 -$60,000)]

= [$5000 + (4% x $60,000)]

= $5000 + $2400

= $7400

*What is the fringe benefit taxable amount?*

Fringe benefits taxable amount = A / (1-r)

$$= \frac{\$7400}{(1 - 0.20)}$$

$$= \frac{\$7400}{0.8}$$

= **$9250**

*How much FBT should be paid per quarter?*

FBT per quarter =$9250 x 20%

= **$1850**

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

**Appendix**



## ACT NO. 5 OF 2024

I assent.

W. M. KATONIVERE
President

[12 July 2024]

# 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 2024.

(2) This Act comes into force on 1 August 2024 except section 4 which comes into force on 1 January 2025.

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

*Section 25 amended*

**2.** Section 25(8) of the Principal Act is amended in the table after the row on Tax Year 2024 by inserting the following new row—

| *YEAR OF ASSESSMENT* | *PERCENTAGE OF EXPORT INCOME TO BE DEDUCTED* |
|---|---|
| "Tax Year 2025 | *(a)* in the case of the agriculture, fisheries or forestry industry – 90%<br>*(b)* in any other industry – 60%" |

*Section 28A deleted*

**3.** The Principal Act is amended by deleting section 28A.

*Section 78 amended*

**4.** Section 78 of the Principal Act is amended by deleting subsection (2) and substituting the following—

"(2) Subject to subsections (3) and (4), the value of the benefit for a quarter is as follows—

| *MOTOR VEHICLE ENGINE CAPACITY* | *VALUE PER QUARTER* |
| --- | --- |
| Under 1,800 cc | $2,000 |
| 1,800 cc and < 2,000 cc | $3,000 |
| 2,000 cc and above | $4,000 |
| Irrespective of engine capacity, if the cost of the vehicle exceeds $100,000 | $5,000 plus 4% of the excess of the cost above $100,000 |
| ELECTRIC VEHICLE ORIGINAL COST | VALUE PER QUARTER |
| < $20,000 | $2,000 |
| $20,000 - < $40,000 | $3,000 |
| $40,000- < $60,000 | $4,000 |
| Above $60,000 | $5,000 plus 4% of the excess of the cost above $60,000" |

*Section 110 amended*

**5.** Section 110 of the Principal Act is amended by—

(*a*) deleting subsections (1) to (6) and substituting the following—

"(1) A person liable for Income Tax for a tax year is liable to make advance payments of Income Tax—

(*a*) in the case of a company, on the last day of the sixth, ninth and twelfth months of the tax year; or

(*b*) in the case of any other person, on 30th April, 31st August and 30th November.

(2) If the total advance payments of Income Tax payable by a person, other than a company, for a tax year is less than $120, the advance tax payable by the person for the year is payable in one instalment on 30th September.

(3) The amount of each advance payment of Income Tax payable by a person for a tax year is computed according to the following formula—

$$33\ 1/3\ \%\ x\ (A—B)$$

where—

**A** is the person's assessed Income Tax liability for the preceding tax year, including under a self-assessment, after reduction of any foreign tax credit allowed to the person for that year; and

**B** is so much of A that was paid by amounts withheld under Subdivision 4 of Division 2.

(4) If—

*(a)* the Income Tax payable by a person for the preceding tax year has not been assessed by the due date for payment of the first advance payment of Income Tax for a tax year; or

*(b)* the person commenced to derive income included in gross income during the tax year,

the amount of each advance payment of Income Tax is one-third of the amount of Income Tax estimated by the person to be payable for the tax year, other than Income Tax to be collected by withholding under Subdivision 4 of Division 2.

(5) A statement of the Income Tax estimated to be payable by a person for a tax year in accordance with subsection (4) must be filed with the CEO by the due date for payment of the first advance payment of Income Tax for the year.

(6) A person who reasonably believes that their Income Tax liability for a tax year will be significantly lower than the Income Tax liability assessed for the previous tax year may file a statement of the Income Tax estimated to be payable by the person for the year, before the end of the sixth month of the person's tax year, and the amount of each advance payment of Income Tax payable for the year is one-third of the person's estimated Income Tax liability for the year, other than Income Tax to be collected by withholding under Subdivision 4 of Division 2."; and

*(b)* after subsection (13), inserting the following new subsection—

"(14) In this section, "tax year" means tax year 2025 and any tax year thereafter.".

*Section 125A deleted*

**6.** The Principal Act is amended by deleting section 125A.