PRACTICE
STATEMENT NO. 13/2017
Issued: 12 October 2017

SUBJECT	Fiji Revenue and Customs Service Social Responsibility Tax/Environment and Climate Adaptation Levy on Chargeable Income exceeding $270,000
DATE OF EFFECT	1 August 2017
CONFIDENTIALITY STATUS	May be released to the public
LEGISLATIVE REFERENCE	Sections 8, 108 (1), 110, 111 of Income Tax Act 2015 Income Tax (Rates of Tax and Levies) Regulations 2016 [Legal Notice No. 5]
PRACTICE COORDINATOR	Deputy Director Revenue Management

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INTRODUCTION

1. The purpose of this Practice Statement is to provide guidance on the application of the Social Responsibility Tax (SRT). It is issued with the authority of the Chief Executive Officer (CEO) of the Fiji Revenue and Customs Service.

2. SRT is an additional income tax on high income earners including individuals and trustees that derive chargeable income over $270,000.

3. With effect from 1 August 2017, the SRT includes a levy - Environment and Climate Adaptation Levy (ECAL). The inclusion of ECAL does not increase the tax burden and therefore the overall tax payable remains the same. This is illustrated in the example in Attachment 1

4. The SRT/ECAL is collected in the same manner as PAYE for employees and Advance Tax (commonly known as Provisional Tax) for the self-employed.

5. Income from one–off, ad–hoc or unusual transactions that are included in chargeable income are excluded for the purpose of calculating SRT/ECAL.

LEGISLATIVE BASIS

6. Social Responsibility Tax is defined in Section 2 of the Income Tax Act 2015 (ITA) as follows:

   "*"Social Responsibility Tax" means the Social Responsibility Tax imposed under section 8, a portion of which is the Environment and Climate Adaptation Levy payable under Part 4 of the Environment and Climate Adaptation Levy Act 2015".*

7. Section 8 of the ITA provides for the imposition of SRT.

8. The Environment and Climate Adaptation Levy on income is imposed under Section 10 Part 4 of the Environment and Climate Adaptation Levy Act.

9. The SRT/ECAL rates for resident and non-resident individuals are given in the Income Tax (Rates of Tax and Levies) Regulations 2016 as amended.

10. Extracts of the relevant provisions of the ITA and ECAL Act are in the Attachment and further guidance is provided in the following paragraphs.

APPLICATION

11. SRT and ECAL applies on the chargeable income of individuals

Example 1

> *Mr X is an employee. His gross salary for the tax year 2017 is $273,000. Since this amount is also his chargeable income, he will be required to pay SRT/ECAL. Further details are in Attachment 1.*

Example 2

> *Mr Y is self-employed.*
>
> *His gross income for the tax year 2017 is $300,000 and net profit for tax purposes is $273,000. Since his net profit is also his chargeable income, he will be required to pay the SRT/ECAL. Further details in Attachment 1.*

12. The following will not be taken into account for SRT/ECAL calculation purposes:
   (i) gains from a one-off sale of an asset including depreciable assets; e.g. the sale of rental properties or land (if the person is not in the business of buying and selling such property), disposal of inherited property; and
   (ii) One-off lump sum payments; e.g. redundancy payments, retiree/gratuity allowances, and exit inducement payments.

Example 3

> *Mr XY is self-employed. His net profit for the tax year 2017 is $305,000. Since this amount is also his chargeable income, he will be required to pay the SRT/ECAL.*
>
> *2017 chargeable income includes $30,000 profit from the sale of a depreciable asset that was treated as revenue in nature and included in assessable income.*
>
> *Since the $30,000 profit arose from a one–off transaction, the amount is excluded for SRT/ECAL calculation purposes.*
>
> *XY's chargeable income for SRT/ECAL purposes is $275,000 ($305,000 - $30,000).*

PROCESS

13. Employers are required to account for SRT/ECAL in the same way that PAYE is accounted for.

14. Sole traders who expect to earn over $270,000 are required to estimate their chargeable income. If the estimate exceeds $270,000, they must calculate the amount of SRT/ ECAL due each month and make the necessary returns and payments.

15. Individuals with both employment and business income can arrange for SRT/ECAL deductions through their employers or make payments directly to the Revenue and Customs Service.

16. Further information can be obtained by contacting any of our Customer Service Centers Fiji wide or email to info@frcs.org.fj.

ATTACHMENT 1

The inclusion of 10% ECAL does not change the tax burden.

Assume that Mr X's chargeable income for the years 2016 to 2018 is $273,000. The tax calculations for each respective year is as follows:

Tax Year	SRT calculation	ECAL calculation	Total SRT and ECAL Payable
2016	23% x ($273,000 - $270,000) =23% x $3,000 = $690	N/A	SRT = $690
2017	Jan – July 23% x ($273,000-$270,000) x (7/12) = $402.50 Aug – Dec 13% x (273,000-$270,000) x (5/12) =$162.50	Aug – Dec 10% x (273,000 - $270,000) x (5/12) = $125	= SRT + ECAL = $402.50 + $162.50 + $125.00 = $690
2018	13% x ($273,000 - $270,000) = $390	10% x ($273,000-$270,000) = $300	= SRT + ECAL = $390 + $300 = $690

ATTACHMENT 2

Extracts from Section 8 of the Income Tax Act 2015

"8(2) In addition to the Income Tax imposed under subsection (1) and subject to this Act, a tax to be known as the "Social Responsibility Tax" is imposed for each tax year at the rate prescribed by Regulations made under this Act on an individual, including an employee, who is liable for Income Tax for the tax year.

8 (3) The Income Tax and Social Responsibility Tax imposed under subsections (1) and (2) for a tax year are computed by applying the rate or rates of Income Tax and Social Responsibility 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."

8 (5) *Notwithstanding subsection (2), Social Responsibility Tax is not payable on the portion of chargeable income derived from a one-off payment or receipt prescribed by regulations*."

Extract from Section 10 Part 4 of the Environment and Climate Adaptation Levy Act

"An Environment and Climate Adaptation Levy at the rate of 10% shall be charged on income as prescribed by regulations and shall form part of the Social Responsibility Tax under the Income Tax Act 2015. The Environment and Climate Adaptation Levy imposed under this Part shall be collected as part of the Social Responsibility Tax under the Income Tax Act 2015."

Extract from Income Tax (Rates of Tax and Levies) Regulations 2016 - Resident and Non-resident Individuals SRT/ECAL tax rates

Chargeable Income $	Social Responsibility Tax (Inclusive of the Environment and Climate Adaptation Levy) $
0 – 270,000	Nil
270,001 – 300,000	23% of excess over $270,000
300,001 – 350,000	$6,900 + 24% of excess over $300,000
350,001 – 400,000	$18,900 + 25% of excess over $350,000
400,001 – 450, 000	$31,400 + 26% of excess over $400,000
450,001 – 500,000	$44,400 + 27% of excess over $450,000
500,001 – 1,000,000	$57,900 + 28% of excess over $500,000
1,000,001 +	$197,900 + 29% of excess over 1,000,000