FIJI REVENUE AND CUSTOMS SERVICE

STANDARD INTERPRETATION GUIDELINE 2025-14

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 effective from 1 January 2026 and may need to be reviewed in the event of any relevant legislative amendments.

CONTENT

PURPOSE

1. This SIG provides practical guidance on fringe benefit tax (FBT) relating to motor vehicle fringe benefits as set out in section 78 of the Income Tax Act 2015 (ITA).

2. The SIG includes the 2025-2026 National Budget amendments that have been effected through the Income Tax (Budget Amendment) Act 2025 (Act No. 9 of 2025).

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. Certain fringe benefits identified under the Income Tax Act 2015 are 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 those in respect of "non-cash" benefits and is payable by the employer. Such fringe benefits are not subject to income tax if FBT applies.[3]

8. Effective 1 January 2026, fringe benefit value per quarter for electric vehicles will be reduced.

9. Examples illustrated in this SIG demonstrate the CEO's interpretation and tax implications relating to motor vehicle fringe benefit provided by an employer or associate of an employer to its employees and associates. 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.

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

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

LEGISLATIVE ANALYSIS

Imposition of Fringe Benefits Tax

11. The taxation of fringe benefits is set out in sections 69 to 81 of the ITA 2015. The rules on the taxation of motor vehicle fringe benefits are set out 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 $5,000, FBT payable is $1,000 ($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' means 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
- holding/acting in any public office (e.g. board member).

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
- a third party arranger;

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

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

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

fringe benefits taxable amount.

16. There are 4 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 = $\frac{A}{(1-r)}$ where— **A** is the total value of fringe benefits provided by the employer to employees in the quarter; and 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%

Step 4 – If applicable, apply apportionment rules; this is covered in paragraphs 23 – 26 of this SIG.

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. Effective from 1 January 2026, the value of motor vehicle benefit for a quarter is as follows[8]:

Motor vehicle engine capacity	**Value per quarter**
Under 1,800cc	$2,000
1,800cc and < 2,000cc	$3,000
2,000cc 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.

[7] Section 78(1) ITA

[8] Section 78(2)

Electric vehicle original cost	Value per quarter
< $50,000	$1,000
$50,000 - < $75,000	$1,500
$75,000- < $100,000	$2,000
$100,000 and above	$2,500 plus 2% of the excess of the cost above $100,000

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 $100,000.

Examples – Motor Vehicles (other than electric vehicles)

21. **Example 1**

HCo provides a motor vehicle to Mr. E's wife. Mrs. E uses the motor vehicle for private purposes only. The engine capacity of the motor vehicle is 1,700cc.

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 for a quarter is $2,000 as the engine capacity is below 1,800cc

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

$$= \frac{\$2,000}{(1- 0.20)}$$

$$= \frac{\$2,000}{0.8}$$

$$= \mathbf{\underline{\$2,500}}$$

How much FBT should be paid per quarter?
FBT per quarter =$2,500 x 20%
= **<u>$500</u>**

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 $7,000 computed as follows:

Value of Motor Vehicle Benefit = $5,000 + 4% x ($150,000 -$100,000)
= $5,000 + (4% x $50,000)
= $5,000 + $2,000
= $7,000

What is the fringe benefits taxable amount?

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

$$= \frac{\$7{,}000}{(1 - 0.20)}$$

$$= \frac{\$7{,}000}{0.8}$$

= **$8,750**

How much FBT should be paid per quarter?

FBT per quarter = $8,750 x 20%
= **$1,750**

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 $3,500 computed as follows:
Value of Motor Vehicle Benefit = [$5,000 + 4% x ($150,000 -$100,000)] x 50%
= [$5,000 + (4% x $50,000)] x 50%
= [$5,000 + $2,000] x 50%
= $7,000 x 50%
= $\underline{3,500}$

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)

$$= \frac{\$3,500}{(1 - 0.20)}$$

$$= \frac{\$3,500}{0.8}$$

$$= \underline{\mathbf{\$4,375}}$$

How much FBT should be paid per quarter?
FBT per quarter = $4,375 x 20%
= $\underline{875}$

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 is 1,900cc. 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
= $\underline{1,000}$

What is the fringe benefit taxable amount?

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

$$= \frac{\$1,000}{(1 - 0.20)}$$

$$= \frac{\$1,000}{0.8}$$

= $\underline{\$1,250}$

How much FBT should be paid per quarter?
FBT per quarter =$1,250 x 20%
= **$250**

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 = [$5,000 + 4% x ($120,000 -$100,000)]
= [$5,000 + (4% x $20,000)]
= $5,000 + $800
= $5,800

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

$$= \frac{\$5,800}{(1 - 0.20)}$$

$$= \frac{\$5,800}{0.8}$$

$$= \mathbf{\underline{\$7,250}}$$

How much FBT should be paid per quarter?
FBT per quarter =$7,250 x 20%
= **$1,450**

Examples - Electric Motor Vehicles

29. **Example 6**

HCo provides an electric vehicle to Mr. E. which he uses for private purposes only. The vehicle cost $40,000.

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 $1000 as the cost of the vehicle was less than $50,000.

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

$$= \frac{\$1,000}{(1 - 0.20)}$$

$$= \frac{\$1,000}{0.8}$$

$$= \mathbf{\underline{\$1,250}}$$

How much FBT should be paid per quarter?
FBT per quarter =$1,250 x 20%
= **$250**

30. **Example 7**

HCo provides an electric 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 = \$2,500 + 2% x (\$150,000 -\$100,000)
= \$2,500 + (2% x \$50,000)
= \$2,500 + \$1,000
= \$3,500

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

$$= \frac{\$3,500}{(1 - 0.20)}$$

$$= \frac{\$3,500}{0.8}$$

= **\$4,375**

How much FBT should be paid per quarter?
FBT per quarter =\$4,375 x 20%
= **\$875**

31. **Example 8**

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 = \$2,500 + 2% x (\$150,000 -\$100,000) x 50%
= \$2,500 + (2% x \$50,000) x 50%
= (\$2,500 + \$1,000) x 50%
= \$3,500 x 50%
= **\$1,750**

The motor vehicle benefit will be apportioned at 50% as stated in Section 78(3) of the ITA, regardless of the estimated 30% private use.

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

$$= \frac{\$1{,}750}{(1 - 0.20)}$$

$$= \frac{\$1{,}750}{0.8}$$

$$= \underline{\mathbf{\$2{,}187.50}}$$

How much FBT should be paid per quarter?
FBT per quarter =$2,187.50 x 20%
= **<u>$437.50</u>**

32. **Example 9**

BCo provides an electric motor vehicle to Mrs. C who uses it 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 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 computed as follows:

Motor Vehicle Benefit = $1,000 x 1/3
= <u>$333.33</u>

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

$$= \frac{\$333.33}{(1 - 0.20)}$$

$$= \frac{\$333.33}{0.8}$$

$$= \underline{\mathbf{\$416.67}}$$

How much FBT should be paid per quarter?
FBT per quarter =$416.67 x 20%
= **$83.33**

33. **Example 10**

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 = [$2,500 + 2% x ($120,000 -$100,000)]
= [$2,500 + (2% x $100,000)]
= $2,500 + $1,000
= **$3,500**

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

$$= \frac{\$3,500}{(1 - 0.20)}$$

$$= \frac{\$3,500}{0.8}$$

= **$4,375**

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

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

APPENDIX

ACT NO. 9 OF 2025

I assent.

R. N. T. LALABALAVU
President

[21 July 2025]

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 2025.

(2) This Act comes into force on 1 August 2025 except section 7 which comes into force on 1 January 2026.

(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) under the definition of "dividend", deleting paragraphs *(c)*, *(d)* and *(e)*; and

(b) after the definition of "dividend", inserting the following new definitions—

""e-money" means electronically, including magnetically, stored monetary value as represented by a claim on the issuer, which is issued on the receipt of funds for the purpose of making payment transactions and which is accepted as a means of payment by the person to whom the payment is being made to;

"e-money account" means the account with an e-money issuer in which the customer's e-money balance is recorded and through which the customer transacts;

"e-money issuer" means a payment service provider that provides an e-money issuance service as licensed by the Reserve Bank;".

Section 14 amended

3. Section 14(1) of the Principal Act is amended by deleting paragraph *(c)* and substituting the following—

"*(c)* unexplained and unidentified deposits during the year in any bank account or e-money account if the deposit can be sourced to the person;".

Section 24 amended

4. Section 24 of the Principal Act is amended after subsection (12) by inserting the following new subsection—

"(12A) A business is allowed a deduction of 100% of the amount of a cash donation made in a tax year to a health centre, nursing station, aged care facility, orphanage or drug rehabilitation centre.".

Section 25 amended

5. Section 25 of the Principal Act is amended after subsection (18) by inserting the following new subsections—

"(19) A person is allowed a deduction of 150% of the amount of a cash donation made in a tax year to accredited start-up support programmes such as accredited start-up incubators, accelerators and entrepreneurship programmes.

(20) A person is allowed a deduction for 25% of any new capital expenditure exceeding $100,000 incurred by the business in a tax year for providing a tour activity in Fiji.

(21) For the purpose of subsection (20), "tour activity" means any approved non-accommodation activity provided by a registered business and includes beach clubs, diving, snorkelling, trekking, surfing, zip lining, river safaris, kayaking, tubing, water parks, and nature tours.".

Section 67 amended

6. Section 67 of the Principal Act is amended by deleting subsection (4) and substituting the following—

"(4) For the purposes of—

(a) subsection (1)*(b)*—

(i) "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 any other individual;

(ii) "principal place of residence" means the place of residence where the individual lives; and *(b)* subsection (1)*(f)*, "family home" means a residential property in which family members, whether immediate or extended, hold an interest as joint tenants or tenants in common.".

Section 78 amended

7. 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
< $50,000	$1,000
$50,000 - $75,000	$1,500
$75,000 - $100,000	$2,000
Above $100,000	$2,500 plus 2% of the excess of the cost above $100,000".

Section 140 amended

8. Section 140 of the Principal Act is amended by—

(a) deleting the heading and substituting "*International Tax Agreements*";

(b) deleting subsection (1) and substituting the following—

"(1) The Minister may enter into—

(a) an agreement with the Government of any other country or territory under which arrangements are made with that Government for the prevention, mitigation, or discontinuance of the levying of Income Tax under the laws of Fiji and the other country or territory, in respect of the same income, gain or benefit, or to the rendering of reciprocal assistance in tax matters under this Act and the other country or territory; or

(b) an international bilateral or multilateral tax agreement providing for reciprocal assistance in tax matters entered into with the Government of any other country or territory.";

(*c*) deleting subsection (4) and substituting the following—

"(4) As soon as may be after the conclusion of an agreement under this section, the agreement must be notified by the Minister in the Gazette whereby, until revoked, the agreement has effect as if enacted in this Act but only if and for so long as such agreement has effect in the other country or territory."; and

(*d*) after subsection (4), inserting the following new subsection—

"(4A) The provisions of any international agreement providing for reciprocal assistance in tax matters in force in Fiji apply in the event of any inconsistency with any provisions of any laws in force in Fiji, to the extent of the inconsistency.".

Passed by the Parliament of the Republic of Fiji this 18th day of July 2025.