FIJI REVENUE AND CUSTOMS SERVICE

Employer User Guide

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Introduction

The Fiji Revenue and Customs Service (FRCS) continues to prioritise voluntary tax compliance through improved digital services. This guide is a clear and practical resource designed to help Fiji employers effectively manage their Pay-As-You-Earn (PAYE) responsibilities in terms of PAYE filing, payment, maintaining proper PAYE records and staying updated on the latest tax laws.

By using this guide, you ensure the accurate calculation of PAYE deductions and maintain full compliance with all PAYE requirements.

As tax legislation is subject to frequent updates, it is crucial for every employer to remain informed. If your specific circumstances require further clarification, our dedicated PAYE team may be contacted on payevalidation@frcs.org.fj for assistance. We emphasize the importance of seeking proper guidance to ensure that your Pay-As-You-Earn (PAYE) obligations are administered correctly and compliantly.

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PART 1: PAY AS YOU EARN

Employer Registration

All employers are required to register for PAYE TAX purposes with FRCS in accordance with Part 2 Regulations (4) of the Income Tax (Withholding Tax) Regulations 2013.

As a taxpayer if you;

- employ someone as part of your business or organisation;
- the manner in which the person works; and/or
- supply any equipment for that person to use when working for you.

Then you are required to register with FRCS as an employer within 30 days of commencement of your business.

How do you register as an employer?

Registration for PAYE is done using Taxpayer Online Service (TPOS). There are two ways to register as an employer for tax purposes.

i. Employer registration at the point of registering for a Taxpayer Identification Number (TIN)- employers are required to register for PAYE while registering for the first time for a TIN.

ii. Employer registration after TIN registration- Employers are required to register for PAYE through the "Change of Circumstance" tile which has a subsection for PAYE registration.

A registration confirmation letter will be generated upon successful registration and available in the correspondence tile.

Types of Registration

An employer is required to register for PAYE either monthly or six-monthly interval.

i. **Monthly registration**- employers are required to register for monthly filing if there are any employees paid above the tax threshold (i.e. $30,000 annually).

ii. **Six monthly registration**- employers can register for six-monthly filings if you DO NOT have any employees paid above tax threshold (i.e. $30,000 annually) or where no employees are subject to PAYE deductions.

Deducting and Paying PAYE to FRCS

The law introducing PAYE Withholding Tax is contained in the Income Tax Act (Decree 16 and 37), effective 1st January 2013.

Employee Tax Code Declaration

All employees, including those earning below the threshold, must complete an Employee Tax Code Declaration Form (Form IRS 458A) within 5 working days from commencement of their employment.

It is important that all employees complete the Employee Tax Code Declaration form including the following information:

- Full name
- Taxpayer Identification number (TIN)
- Tax code.

As an employer, if you do not receive a tax code declaration form from your employee within the 5 working days, you are required to deduct tax at the no-declaration rate of twenty percent (20%) from your employee's gross employment income.

Please note that a new tax code declaration form is not required to be completed by an employee each year. An employee can change their tax code if you submit a new Employee Tax Code Declaration form.

Primary employment

The rate of PAYE tax that will be deducted from employees' gross earnings will depend on the tax code that you declare to their employer.

Most employees have one main employment. This employment is known as their primary employment, for which tax code **"P"** applies.

An employee is to use the primary tax code **"P"** for their main source of employment income. Once you have the employee's tax code, use the PAYE tax formula to work out how much PAYE to be deducted from each pay.

Secondary employment

If an employee is already using a primary tax code **"P"** for their main source of income and has another job, the employee must declare for secondary employment, using the secondary tax code **"S"**.

The secondary rate of PAYE to be applied is twenty percent (20%) of the gross payment.

An employee with more than one secondary employment will need to complete a tax code declaration for each of the secondary employments using the secondary tax code **"S"**.

Special Tax Rate

The rate applies only to employees with secondary employment. An employee with secondary employment may apply for a special tax rate using the request tile from TPOS.

The CEO may furnish the employee with a Special Tax Rate Certificate (STRC) within 5 working days of receipt of an application.

The CEO may at any time cancel any STRC. No person shall alter any STRC issued by the CEO under Regulations 8(6) and (7) of the Income Tax (Withholding Tax) Regulations 2013.

It is important that employers use the right tax code. Using the correct tax code will avoid a tax payable or refund situation.

Example:
Sam has one full-time job and three part-time jobs. He uses a primary tax code **"P"** for his full-time job and a secondary tax code **"S"** for his three part-time jobs.

If an employee works for you using a primary tax code and does a different type of work for you outside normal working hours, you will amalgamate the two sources of income and calculate PAYE on the total amount using the primary tax code **"P"**.

Where an employee has a secondary job with a different employer the employee must complete a separate Tax Code Declaration form using the secondary code **"S"**.

Example:
Mac works in the Ministry of Health as a pharmacist between 8 am and 5pm, Monday to Friday, and is paid fortnightly. He also works between 6 pm and 10 pm, Tuesdays and Thursdays, in Metro Pharmacy, and is paid monthly.

Mac is required to complete two Tax Code Declaration forms (IRS 458A). One is for the Ministry of Health with the tax code **"P"**. The other is for Metro Pharmacy with the tax code **"S".**

Who is an employee?

An employee is someone hired by an employer to perform tasks under the employer's control. Determining employee status involves considering factors such as the nature of the work, control over tasks, payment structure, overtime eligibility, set hours, work location, and performance standards. It's crucial to understand these distinctions for tax and legal purposes.

It's important to know if someone is an employee or an independent contractor for tax and legal reasons. Employees work under the employer's control, with set hours, tasks, and often at a specific location. You receive salaries or hourly wages, are eligible for overtime, and are subject to performance standards. In contrast, independent contractors have more autonomy, are paid based on contracts or projects, and manage their own taxes. Proper classification is crucial to avoid legal issues and ensure compliance with regulations.

Non-resident employees

Employers must deduct PAYE from wages paid to non-resident employees in the same way as for resident employees. However, there are non-resident tax rates that apply to non-residents. Non-resident tax rates can be sourced from FRCS website:
In general, an employee is a non-resident for tax purposes if the following criteria are met:

- The person's permanent place of abode is outside of Fiji.
- The person is in Fiji for less than 183 days and does not intend to make Fiji his usual place of abode.

A non-resident is liable for Fiji tax on income for personal services performed in Fiji, and other income from Fiji sources.

Temporary resident - means an individual who is a resident individual solely or mainly for the purposes of engaging in employment in Fiji under a contract of employment of not more than 3 years but not including a Fijian citizen or permanent resident of Fiji.

If you are hiring a non-resident employee, you must have a work permit.

Change in Employee Status

When an employee stop working
Employers must show each employee's finish date on the payday filing.

Employee rehired in the same year

If an employee stops working and is rehired in the same year, the employee must complete another Tax Code Declaration (Form IRS 458A).
Employers need to show the employee's start date in the payday filing.

Employee on transfer

If an employee transfers from one branch of a company to another branch and is paid by the new branch office on a separate payroll, the correct treatment is:

- the old branch treats the transfer as if the employee has stopped work.
- if the employee is paid by a central or head office, that office continues deducting PAYE from the employee's earnings. The employee doesn't need to complete a new Employee Tax Code declaration.

Individuals who are responsible for deducting PAYE from their own earnings.

In certain cases, employees, instead of the employer are required to deduct and remit PAYE to FRCS. The common cases are:

- Part-time private domestic workers, such as home helpers, attendant caregivers, nannies, and gardeners.
- Local employees of Foreign & Diplomatic Mission are liable to PAYE on their gross employment income, as well as Fiji based employees of overseas companies.

You're responsible for paying their own PAYE, but you're not classified as self-employed.

Employment versus Self Employed

PAYE is required to be deducted from gross employment income whereas self-employed income such as a contract payment is not liable to have PAYE deducted.

Contract of Service

An agreement between an employer and an employee. It is an employment contract whereby PAYE is deducted from this contract.

Contract for Service

A business to business legally binding contract to carry out service. Contractual Provisional Tax is deducted from this agreement. The contractee is supposed to deduct and withhold 5% from the contract payment and remit it to FRCS. The threshold is contract agreement above $1,000.

Completing the Employer PAYE filing

PAYE filing is to be done by all employers who pay salary or wages and are deducting PAYE from total employment income as a final withholding tax. Filing of returns should be done on the Taxpayer Online Portal under "Filing obligation" tile. The PAYE lodgment is Payday filing which means every pay data is entered into the system and submission is done either monthly or six-month as per the registration. To access the user manual to file PAYE return, click on this link: PAYE_User_Manual-External-1.pdf

Computation of PAYE Withholding Tax

[Regulation 6] of Income Tax Withholding Tax Regulations 2013: Withholding of Tax in Relation to Primary Employment.

An employer required to withhold tax under section 111 of the Income Tax Act from any payment of employment income to an employee in relation to the employee's primary employment must withhold tax in accordance with this regulation.

The Regulations 6 formula is computed taking into consideration the following scenarios:

- An individual is employed till the last payday.
- takes into consideration the year-to-date income and taxes.
- changes in income during the year.
- consider adjustments in pay assuming that the same pay will be for the rest of the year.
- Any amount paid apart from normal pay to be entered into the bonus column expect per diem (travelling allowance which is not taxable).

Regulation 6 Formula

Income Tax to withhold = (A1/F × G) – B1 + Income Tax on C2 – Income Tax on C1

[if result < 0, then tax to be withheld = 0]

where—

A1 = Income Tax payable on C1;

B1 = Income Tax withheld to date;

C1 = [D × (F – G + 1)] + E [however, if the pay period is the same as the previous period, then C1 = C1 in the previous pay period];

C2 = C1 + H;

D = the amount of normal pay paid by the employer to the employee in the current payment period;

E = the total amount of normal pay paid by the employer to the employee in the previous payment periods in the tax year;

F = the number of payment periods in the tax year;

G = the number of completed payment periods, including the current period;

H = the total directors' remuneration and bonus/overtime paid to date including that paid in the current period; and

normal pay = basic gross wage or salary usually paid regularly over a sufficient period of time.".

[Regulation 7] of Income Tax Withholding Tax Regulations 2013: Withholding of Tax in Relation to Secondary Employment.

An employer required to withhold tax from any payment from employment income to an employee in relation to the employee's secondary employment. An employee has provided his or her employer with an "S" tax code declaration,

The amount of tax to be withheld by the employer from a payment of employment income to the employee for any payment period is computed according to the following formula:

J x K

J- is the S code tax rate applicable to the employee at the time of the payment; and

K -is the amount of employment income paid to the employee for the payment period.

You can access to our PAYE templet from our website [2024-PAYE-Reg-6-Template.xlsx]

When should the PAYE be lodged, and payment be made?

The filing should no later than the last day of the month following the month to which the PAYE relates. e.g. the January filing is due on 28th or 29th February.

PAYE is a trust tax; therefore, payment is due with lodgment. The payment should be made not later than the last day of the month following the month to which the PAYE relates. e.g. the January deductions made are due by 28th or 29th February.

When there is no employee for a particular period what is supposed to be done.

In the scenario whereby the employer does not have any employee due to business circumstances, the employer is still supposed to file the return. The employer will select the option of 'nil' filing for that period. It is compulsory to attach a letter stating the reason for nil filing.

Correcting your PAYE after it's filed.

If you want to amend your lodgment, you can do so by using the TPOS portal. Amendments can be made until past two years from filing date.

Selecting Gross up Employee when filing of PAYE return.

In the context of PAYE filings, when an employer selects the gross-up method as "YES", you are taking responsibility for any tax obligations. This decision is normally made between the contracting parties. Any resulting tax payable or refunds will be reflected in the employer's tax account/ledger. This method is commonly used for certain employees, e.g. expatriate positions or local executives. However, it's crucial for employers to exercise caution as the responsibility for paying taxes on the gross-up method amount falls on them. Additionally, any tax refunds associated with this method will be issued to the employer, not the employee.

Payments to Employees other than Salary & Wages

Besides paying salaries and wages to your employees, you may make other payments such as allowances which could be subject to PAYE. This is discussed below.

Allowances

Allowances paid to employees usually arise from:

- An industrial collective agreement.
- An agreement made between the employer and employees—commonly known as an in-house agreement.

Generally, employees receive two types of allowances:

- Allowances that reimburse the employee for expenses you have incurred on behalf of the employer. These are commonly known as reimbursing allowances and are not taxable.

- Allowances that benefit the employee. These are taxable to the extent you exceed any expenses that the employee has incurred on behalf of the employer. If no expense has been incurred by the employee, then the total amount of the allowances is taxable, from which PAYE should be deducted.

Taxable allowances (i.e. those that benefit the employee) are added to the employee's gross earnings and PAYE is deducted from this total.

Tax-free allowances (i.e. those that reimburse the employee) should not have PAYE deducted.

You don't need to apply for our approval to pay tax-free allowances to your employees. You can decide for yourself, using FRCS's guidelines. The allowances commonly paid are as follows.

Cash Benefit Allowances

Benefit allowances are payments made in addition to salary or wages, which benefit the employee. A benefit allowance is taxed with the employee's wages in the pay period it's paid. Any cash benefit allowance you pay to an employee, unless it is a reimbursing allowance, is fully taxable. Example excess FNPF, any amount of FNPF contribution exceeding the mandatory 10% employer contribution will be subject to PAYE and entered in the bonus column when filing payday.

Reimbursing Allowances

Reimbursing allowances are payments made to employees to compensate them for expenses you've incurred while doing their jobs such as mileage allowances, education and meal allowances.

Work-related relocation payments made to your employees are tax-free provided all the following conditions are met:

- Your employee's relocation is required as the result of:
- Taking up new employment with a new employer, or
- Taking up new duties for you at a new location, or
- Continuing in their current position but at a new location.
- The payment reflects actual expenditure incurred.
- The expenditure is incurred before the end of the tax year in which your employee relocates.

Travelling allowances

Employers need to decide how to tax a travelling allowance paid to an employee. An allowance paid for an employee's usual travel costs between home and work is taxable. A travel allowance is tax free to the extent that the amount paid reimburses an employee's additional transport costs is for the employer's benefit.

Per Diem allowances

This allowance is an amount that an employee may be entitled to in the normal course of their work for travelling. It covers meal accommodation and travel. There are fixed rates set by the employer and are non- taxable, but any excess payment other than the fixed rate is subject to PAYE tax.

Restrictive covenant payments

These are payments made in return for a person agreeing to restrict their ability to share information skills and knowledge from the previous employment. This includes payments made to an employee when their employment is terminated, and you agree not to carry on business in competition with their former employment. These types of payments are classed as source deduction payments, so PAYE must be deducted.

Exit inducement payments

Exit inducement payments are made by a prospective employer or contractor to a person to give up a particular status or position. These include payments to employees whose job status changes, even if you don't have a career change.

These types of payments are also included in gross earnings, so PAYE must be deducted.

Both restrictive covenant and exit inducement payments are taxed at the normal PAYE rate.

Lump sums

A lump sum payment is a one-time payment to an employee e.g. final payout exciting the organization, insurance payout, compensation or settlement payment. If it is exempt, then to the extent that it is $5,000.00 for an employee's work lifetime.

For information on what is not regarded as Lump Sum Payments and if it is exempt refer to Income Tax Exempt Income Regulations 2016 Part 3(2).

Retiring and Redundancy payments

Retiring Allowances

A retiring allowance is payment made to an employee on retirement which must be stated in the contract.

Retiring allowances, which is a lump sum payment, are taxable in full,

Example:

Mr X (Code P), a resident taxpayer, received a retirement pay of $30,200.50 in addition to his normal salary in 2026.

Salary for Mr X	$240,000.00
Retiring payment	$ 30,200.50
PAYE Tax	**$ 47,666.17**

Redundancy payments

- "Redundancy payment" is generally made when an employee's appointment is terminated due to economic, technological, structural or other reasons of a similar nature as specified under the Employment Relations Act (ERA).[1]
- The ERA also provides for:
  - a minimum payment of one week's wages for each complete year of service; and payment for other entitlements.
  - for each employee who has served for more than a year.

For income tax purposes, the term 'redundancy payment' is defined in Section 2 of the ITA. In general, it is a one-time lump sum cash payout, paid to any employee or seasonal worker when the person's job position is eliminated because the employer no longer needs it.

The definition specifies that the termination reason, since the employee's or individual's usual position is, or will become, "superfluous to the needs of the employer". That is, his/her usual position is no longer needed

The following are not redundancy payments, and are liable for PAYE:

- Any payment relating to a situation solely involving a seasonal lay-off; or
- Any payment contingent on the completion of either a fixed-term engagement or an engagement to complete work specified in a contract; or
- Any payment in lieu of notices terminating the employment of the employee; or
- Any payment which, if it had not been made upon termination of employment, would, in the opinion of the CEO, have been paid to constitute monetary remuneration of the employee; or
- Any payment made by a company pursuant to its articles of association to any of its directors; or
- Any payment which, in the opinion of the CEO, is excessively large in relation to the earnings and length of service of the employee.

A severance payment may be a redundancy payment for tax purposes. A lump sum severance payment made to a permanent employee when a specific job or project is finished is a redundancy payment if the employee has been fully terminated, and the position is no longer required by the employer.

If the employee stays with the same employer on another job or project, any payment is liable for normal PAYE.

Employees who receive a redundancy payment will be allowed tax exemption up to $15,000 redundancy in accordance with Income Tax Exempt Income Regulations 2016 Part 3(2)(a)

Any amount in excess of $15,000 is added to employment income and taxed accordingly.

Record keeping

An employer must keep records of the gross amount of employment income paid to each employee, including any lump sum or redundancy payment and the amount of tax withheld from each payment.

SRT Ring Fencing

The following nature of payments requires the process of SRT Ring Fencing.

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- **Redundancy payments** – threshold of $15,000 per redundancy payment.
- **Lump sum payment**- threshold of $5,000 per employee's life of employment, once $5,000 is exhausted any more lump sum payment will be subject to PAYE.

Other one-off payment

- Retiree allowances
- Gratuity allowances
- Exit inducement payments

Employers are required to obtain prior approval of FRCS before making any of the above types of payments to an employee. The application is required to be done through TPOS Portal by the employer.
The employer must quote the approval number when completing the PAYE filing.

User manual on SRT Ring Fencing: SRT_Ring-fencing_User_Manual_v2.0 External Use.docx

Termination of employment

To treat any payment as a retiring allowance or redundancy payment, the person's employment must have been terminated. If employment is not terminated, the payment is liable for normal PAYE applicable.

Exemptions will not be application on the following scenarios:

- Is still employed by a company that is at least 50 percent owned by the same shareholders, or under the control of the same person.
- Is still employed by the same employer, even if the employer's business has changed.
- Is still with the same business, even if the ownership of the business has changed.
- Has remained substantially in the same employment. This means if the employee continues to work under a contract of employment with substantially the same employer.

The following two types of payment are not retiring allowances or redundancy payments, and are liable for normal PAYE:

- Payments for accumulated annual leave, long-service leave and sick leave. These are payments that don't relate to retirement or redundancy, and these payments are subject to PAYE.

- Payments made as a result of a merger, takeover, amalgamation or reconstruction between two parties if:

- The employee is rehired by any party to the transaction within six months of termination of employment, and

- The employee's new job is substantially the same kind of employment you had before.

"Substantially the same kind of employment" means doing the same type of work. This is based on such things as similar duties, similar conditions of employment and a similar job description.

For example, if you rehire an employee to do most of the old duties but with slightly different salary and leave arrangements, the employment is substantially the same kind. However, if you rehire the employee in a different area that needs new skills, it's not substantially the same.

Holiday pay

Include holiday pay and pay for statutory holidays as earnings in the period you pay them. To calculate tax on your employee's holiday pay you can use our PAYE Tax formula.

Loss of earnings (workers) compensation

Loss of earnings compensation paid to your employees is liable for PAYE. You the employer will deduct PAYE using the employee's tax code.

Similarly, if an injury occurs at work and you pay an employee for the period up until the time compensation

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is payable, you must deduct PAYE using the employee's tax code.

If you subsidise an employee who's receiving compensation, deduct PAYE on the extra payment you make using the secondary tax rate.

Honoraria

Sometimes payments are made for a service where the usual custom is that a price is not set. These payments are called honoraria. Generally, these payments are made to volunteers and subject to PAYE tax.

Note, where both honoraria and reimbursements for actual expenses are paid to a person for volunteer activities, and provided records are kept showing how much of the payment relates to each, the reimbursement expenses will be tax free.

Treatment of other types of Contractual Income

There are other types of income outside of an employment relationship which are liable to have provisional tax deducted. Examples of the types of income for which provisional tax is required to be deducted are follows:

- Commission agents fees.
- Election day workers payments
- Fishing income
- Payments to musicians, performers, dance bands and orchestras
- Payments to pieceworkers and Outworkers
- Payments to recognized seasonal workers.
- Payments to screen production industry workers
- Payments for "activity in the community" projects, labour only contract payments in the building industry.

The Provisional Tax of 5 percent will apply to the above-mentioned contractual payments. The payer should withhold the provisional tax and remit it to FRCS in the month following the month in which the payment was deducted.

Commission agents

For agents who receive commission only, the gross commission will be subject to provisional tax.

Some agents get a salary or other fixed remuneration plus commission from the same employer.

If an agent is an employee, add the gross commission to the fixed remuneration for the period it was paid in. Calculate PAYE using the current PAYE formula.

Whether you deduct PAYE using the tax tables or provisional tax depends on whether the agent is an employee or is self-employed.

Shareholder Employee Salaries & Directors Fees

Fees paid to directors are subject to PAYE. If the director is an employee of the same company that pays the Directors' Fees together with the shareholders' salary, then it's liable for PAYE also. If the Director is an employee of a company other than the company that pays the directors fees, then it becomes his "Secondary" employment Code "S". PAYE should be deducted from this as well.

Election day workers

Election day workers are people employed on a casual basis immediately before, on, or after polling day. This is subject to PAYE and included in gross income or could be subject to contractual payments depending on the contract of service or contract for service.

Cessation from being an Employer

A business who carries on any trade, business, profession and ceases to be an employer during a tax year must, within 30 days or such other time as the commissioner may determine after cessation of being an employer:

- Give each employee the Tax Withholding Certificate for part of the year prior to cessation of being an employer.
- File with the Commissioner a monthly summary for the month or part of the month in which the cessation of the trade, business, and profession occurred.
- A payment of any tax withheld for the month or part of the month.
- Submit a request for deregistration as an employer. Application for deregistration is to be done on TPOS.

Making PAYE tax payments to FRCS

PAYE is due in one payment by the last day of the following month for all PAYE deducted in the previous month. This is irrespective of whether you are paying on a weekly, fortnightly, bi-monthly or monthly basis. If the PAYE due date for payment falls on a Saturday, Sunday, or public holiday, you are required to make your payment on the last working day of the month or make online payment. The filing confirmation number is used for reference to make payment.

FRCS encourages Online Payment

The online or Bill pay facility basically is a system whereby customers can easily make FRCS payments through bank transfers without having to visit FRCS premises to stand in lines to make payments.

For more information and details click on the link: FRCS Online/Bill Pay Payment Facility –

If your payment is made late, you'll be charged 25% late lodgment penalty LLP on the unpaid amount Refer to Part 3.

Example:

An employer pays fortnightly on 12th and 29th January 2024. PAYE tax deducted from the employee's wages will be accounted for in the PAYE for January 2027, which is due and payable to FRCS by February 2027.

Part 2- Fringe Benefit Tax

What is a Taxable Benefit?

Taxable benefits include any benefits whether in cash or in-kind that are provided free by the employer to the employee or people associated with the employee (e.g. housing, telephone, water).

The value of benefits received by an employee from their employer is subject to either PAYE or the fringe benefit tax. Where cash benefits are provided to employees, employers are required to deduct PAYE from emoluments. If non-cash benefits are provided to the employee, fringe benefit tax should be paid by the employer.

Who are regarded as employees for FBT purposes?

An employee is defined as "an individual engaged in employment".

Other office holders such as directors, managers and associates (including certain relatives) of the employees are also treated as employees for the purpose of the FBT.

What is Fringe Benefit Tax?

Fringe Benefits Tax (FBT) is a tax levied at the rate of 20 percent on the fringe benefit taxable amount (non-cash benefits only) of the employer for each quarter, with effect from 01st January 2012. (Refer Fringe Benefit Tax Decree) PS 2#2012 Fringe Benefit Tax discussion draft as at 20 January 2012

The following are fringe benefits, which are subject to FBT:

- Debt waiver fringe benefit.
- Household personnel fringe benefit.
- Housing fringe benefit.
- Loan fringe benefit.
- Meal or refreshment fringe benefit;
- Motor vehicle fringe benefit;
- Private expenditure fringe benefit;
- Property fringe benefit; and
- Residual fringe benefit.

The following benefits are exempt from FBT:

- Scholarships are provided by an employer that is exempt.
- Cost of passages of an employee that is deductible from the employee's chargeable income.
- Fringe benefits provided to a member of the State's armed forces in respect of employment, giving rise to income that is exempt.
- Occasional departmental or celebratory lunches or dinner, refreshments provided at training courses, occasional cocktail parties or firm picnics, or one-off private use of a car.

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- A meal or refreshment provided in a canteen, cafeteria, or dining room (referred to as an "eating facility") operated by or on behalf of an employer solely for the benefit of employees and which is available to all non-casual employees on equal terms.
- The provision of accommodation or housing to an employee in a remote area (i.e. an area that is fifteen kilometers, or more, from a town or city center, and includes on board a vessel when not berthed.) This is subject to the fact that the employee's usual place of employment is in a remote area, and it is necessary for the employer to provide accommodation or housing in the remote area.

An allowance related to private expenditure (which is included in the emoluments of an employee) and that is subjected to PAYE.

- A contribution by an employer for the benefit of an employee to the Fiji National Provident Fund or a superannuation fund, superannuation scheme, pension or provident fund, or a retirement plan, including excess FNPF contributions.
- A benefit provided under an employee share scheme and that is subjected to PAYE.

Valuation of Fringe Benefits

In general, the value of a benefit should be the fair market value of the benefit at the time it is provided to the employee.

The value of a fringe benefit must be reduced by any payment made by the employee for the benefit.

The value of any benefit should be apportioned if the expenditure incurred by an employer is partly for work purposes and partly for the private benefit of an employee.

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 = $A\ (1-r)$ 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 = A x 20% $(1-r)$

Motor Vehicle Fringe Benefit Valuation

Section 78 of Income Tax Act 2015 provides for the identification and valuation of a motor vehicle fringe benefit. A motor vehicle fringe benefit arises when an employer provides a motor vehicle to an employee either wholly or partly for private use.

The value of a motor vehicle fringe benefit for a quarter is as follows-

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 exceeds $100,000	$5,000 plus 4% of the excess of the cost over $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 over $100,000

Housing Fringe Benefit Valuation

Section 75 of Income Tax Act 2015. Section 75(1) states that the accommodation or housing provided by an employer or an associate of an employer to an employee or an associate of an employee is a fringe benefit.

Scenario	Value of Housing Fringe Benefit
Employer owns the accommodation or housing.	Fair market rent for the accommodation or housing for the quarter; reduced by any payment made by the employee for the accommodation or housing.
Employer rents the accommodation or housing.	Total rent paid by the employer for the accommodation or housing for the quarter; reduced by any payment made by the employee for the accommodation or housing.

In both cases, the value of the benefit is reduced by any payment made by the employee for the accommodation or housing.

SIG-2020-23-Fringe-Benefit-Tax-on-Housing-Fringe-Benefit-and-Household-Personnel-Fringe-Benefits.pdf

Exemptions

There is an exemption under section 71(1)(e) of ITA 2015, which states that the provision of accommodation or housing to a non – managerial employee in a remote area if –

i. the employee's usual place of employment is in the remote area; and
ii. it is necessary for the employer to provide the accommodation or housing to the employee in the remote area because –

A. the nature of the employer's business is such that the employee is likely to move frequently from one residential location to another: or
B. there is insufficient suitable residential accommodation available in the remote area.

Remote areas are defined under section 2 of ITA 2015 which means an area that is 15 or more kilometers from a town or city. This definition is further expanded under section 71(2) to include on board a vessel when not berthed.

Property Fringe Benefit Valuation

Section 80 of ITA 2015 provides for the identification and valuation of a property fringe benefit.

A property fringe benefit arises when the employer transfers property or provides services to an employee. "Services" is defined in subsection (4) to include the use of property and making available of any facility, examples - childcare or recreational facility (e.g. gymnasium)

Scenario	Value of Property Fringe Benefit
Transfer of Property or Services	
(1) If the employer's business involves the supply of property or services to customers.	The normal selling price of the property or services, reduced by any payment made by the employee to the employer for the property or services.
(2) In any other case.	The cost to the employer of acquiring the property or services, reduced by any payment made by the employee.
Provision of Services (1) Provision of free or subsidized air travel to an employee by an employer that is an airline operator, travel agent, or tour operator.	Forty (40%) of the standard economy fare for the flight, reduced by any payment made by the employee to the employer for the flight.

SIG-2020-21-Fringe-Benefit-Tax-on-Property-Fringe-Benefit.pdf

Meal or refreshments – Exempt fringe benefit

Meals or refreshments provided to employees will be considered as exempt fringe benefit if requirements of section 71(1)(d) are satisfied.

- a meal or refreshment provided in a canteen, cafeteria or dining room operated by or on behalf of an employer solely for the benefit of employees and which is available to all non-causal employees on equal terms.
- The meal or refreshment must be provided in a canteen, cafeteria or dining room ("eating facility")
- Such an eating facility must be operated by the employer or on behalf of the employer.

Meal or refreshment - Taxable fringe benefit

Meals or refreshments are one of the nine (9) categories of taxable fringe benefits identified under section 72 of Income Tax Act 2015.

Section 77 provides that - "(1) A meal or refreshment provided by an employer to an employee is a meal or refreshment fringe benefit. The value of a meal or refreshment fringe benefit is the total cost to the employer of providing the meal or refreshment reduced by any amount paid by the employee for the meal or refreshment."

The following meals and refreshments will generally be taxable fringe benefits:

- Elaborate meals, e.g. 3 course meals provided to employees or Board members of the company in boardroom or meeting room.
- Alcohol or Yaqona provided to employees.
- Meals or refreshments provided to spouses of employees.
- Meals or refreshments inside the office premises at a social or entertainment function.

SIG-Fringe-Benefit-Tax-on-meal-and-refreshments-FINAL.pdf

Private expenditure fringe benefit

Section 79 provides for the identification and valuation of a private expenditure fringe benefit.

Subsection (1) provides that the payment of expenditure by an employer is a private fringe benefit to the extent that the expenditure is for the private or domestic benefit of an employee.

Subsection (1) provides for apportionment if the expenditure incurred by an employer is partly for work purposes and partly for the private benefit of an employee.

SIG-2020-17-Fringe-Benefit-Tax-on-Private-Expenditure.pdf

Debt Waiver and discounted interest Fringe Benefit

Section 73 provides for the determination and valuation of a debt waiver fringe benefit.

A debt waiver fringe benefit arises when an employer waives off the obligation of an employee to pay or repay an amount owed to the employer. Such debts are normally waived for reasons related to the employment relationship.

A debt waiver fringe benefit is treated as a "fringe benefit" under section 72(1)(a) and, therefore, the value of a debt waiver fringe benefit is included in the computation of the employer's fringe benefits taxable amount for a quarter under section 70.

Section 73 of ITA identifies a debt waiver fringe benefit as–

- an amount that is due to be paid or repaid by the employee to its employer.
- where that amount is an obligation of the employee in his/her personal capacity.
- where the employer waives off payment or repayment of that amount; and
- such waving off results in a personal or private benefit to the employee.

Section 76 of ITA identifies a discounted interest loan fringe benefit as – a. provision of loan by an employer to its employee; b. where such loan is given to the employee at a discounted interest rate.

SIG-2021-39-FBT-on-Debt-Waiver-FB-and-Discounted-Interest-Loan-FB.pdf

Household Personnel Fringe Benefit.

Section 74 provides for the identification and valuation of a housing personnel fringe benefit.

As per subsection (1), a housing personnel fringe benefit arises when the employer provides an employee with the services of a housekeeper, driver, gardener, security guard, or other household personnel (referred to as "household personnel").

Subsection (2) provides that the value of a housing personnel fringe benefit is the total employment income paid to the household personnel for services rendered to the employee reduced by any payment made by the employee for such services.

A household personnel fringe benefit is treated as a "fringe benefit" under section 72(1)(b) and, therefore, the value of a household personnel fringe benefit is included in the computation of the employer's fringe benefits taxable amount for a quarter under section 70 of ITA 2015

Employer Obligations

Generally, employers are required to comply with the following:

- Employers are required to register as an FBT payer if you are providing such benefits to their employees.
- Employers are required to keep records to support the computation of FBT payable including the valuation of fringe benefits.
- Employers will continue to show the value of benefits provided to employees in their Tax Withholding Certificate. This should be clearly declared as non-cash benefits.

Who should account for FBT?

- an employer providing non-cash benefits to employees.
- each trustee of a trust that provides non-cash benefits to employees; each partner in a partnership business that provides non-cash benefits to employees.

Lodging of Fringe Benefit Tax Return

The employer must lodge the quarterly return within one month after the end of the quarter.

Payment of Fringe Benefit Tax

This should be paid by the due date of the lodgment of the quarterly return. The due dates for each quarter are 30 April, 31 July, 31 October and 31 January.

Offences

An employer who fails to file a fringe benefit tax return is seen to be committing an offence and is liable for a maximum fine of FJD10,000 or to imprisonment for a term not exceeding 12 months or to both a fine and imprisonment.

The courts can impose a maximum fine of FJD15,000 or imprisonment for a term not exceeding 12 months or both a fine and imprisonment on any of the following offences:

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- failure to keep adequate records and accounts relating to the fringe benefits provided to employees.
- failure to allow authorized tax officials from entering the business premises to inspect fringe benefits provided to employees, fringe benefit tax collection or payment records.
- failure to produce any books or records relating to the fringe benefits provided to employees and collection/payment of fringe benefit tax.

Anti – Avoidance Provisions

Avoidance of FBT

The FRCS Chief Executive Officer may, without prejudice, to such validity as it may have in any other respect of for any other purpose, disregard or vary any of the following dealings and make proper assessments in the circumstances:

- altering the incidence of FBT that is payable or suffered by, or which would otherwise have been payable or suffered by any person.
- relieving any person from any liability that has arisen or which would otherwise have arisen to pay FBT or file a FBT return.
- evading or avoiding any liability which is imposed or would otherwise have been imposed on any person under the FBT Decree; or
- hindering or preventing the operation of the FBT Decree in any respect.

As an employer, you're responsible for deducting and accounting for PAYE and FNPF contributions from your employees' gross wages. It's a serious matter if any employer doesn't properly deduct or pay employees' PAYE or other deductions. You will face penalties if you don't meet your employer's responsibilities.

Penalties

Late Lodgement Penalty (LLP)

LLP of 20% of the outstanding PAYE is imposed for each late filing.

Late Payment Penalties (LPP)

A penalty of 25% will apply on any PAYE and FBT on unpaid amount after the due date for payment.

Evasion/Anti Avoidance

Anyone convicted of knowingly attempting to evade their responsibilities can be fined up to $25,000 and/or be imprisoned for up to 24 months. It's also illegal for an employer to aid or assist another person to commit an offence.

Calculation of Fringe Benefit Tax

Computation of Fringe Benefits

The fringe benefits taxable amount is computed according to the following formula-

$$A/(1-r)$$

A = the total value of fringe benefits provided by the employer to the employees in the quarter; and r = the FBT rate specified in section 5(2)

Example:
Total value of fringe benefits provided by an employer for a quarter is $80,000. Calculate FBT payable by the employer for the quarter.

Step 1: FBT Taxable Amount
= A/ (1-r)
= $80,000/ (1-0.20)
= $80,000/ (0.80)
= $100,000

Step 2: FBT Payable
= FBT Rate * FBT Taxable Amount
= 20% * $100,000
= $20,000

Additional Information

All employers are requested to be mindful of the following additional information for compliance purposes.

- Benefits provided to an employee form part of their emoluments and must be disclosed even if you may not be subject to PAYE.
- Employees will not pay PAYE again on non-cash benefits provided as this is the final tax paid by the employer.
- The taxable value of the benefits will not be included in employees' emoluments for the purpose of determining PAYE deductions.
- Once a benefit is subject to FBT, it is not subject to PAYE.
- FBT paid is not an allowable expense/deduction to the employer.
- FBT is a self-assessment tax; therefore, the employer's FBT return will also serve as your notice of FBT assessment.
- Fiji nationals employed by Diplomatic and Consular Missions and certain public international organisations that are exempt from tax under a convention or other international agreement will be required to personally account for the tax on those benefits, as is the case with PAYE.

Have you ceased providing fringe benefits?

If you've ceased or are about to cease providing fringe benefits these are the process, you need to follow.

- Complete all filing obligations till the last benefit provided.
- Clear any outstanding payments.
- Using the deregistration tile in TPOS deregister for FBT.

Part 3: Penalties

Avoidance of FBT

The FRCS Chief Executive Officer may, without prejudice, to such validity as it may have in any other respect or for any other purpose, disregard or vary any of the following dealings and make proper assessments in the circumstances:

- altering the incidence of FBT that is payable or suffered by, or which would otherwise have been payable or suffered by any person.
- relieving any person from any liability that has arisen or which would otherwise have arisen to pay FBT or file a FBT return.
- evading or avoiding any liability which is imposed or would otherwise have been imposed on any person under the FBT Decree; or
- hindering or preventing the operation of the FBT Decree in any respect

As an employer, you're responsible for deducting and accounting for PAYE and FNPF contributions from your employees' gross wages. It's a serious matter if any employer doesn't properly deduct or pay employees' PAYE or other deductions. You will face penalties if you don't meet your employer's responsibilities.

Late Lodgment Penalty (LLP)

If you don't lodge your payday filing by the due date, you will have to pay LLP. A penalty of 20% of the outstanding PAYE is imposed for each late filing. For six monthly filings $1 day penalty is imposed on late filing.

Late Payment Penalties (LPP)

A penalty of 25% will apply on any PAYE and FBT unpaid amount after the due date for payment.

Evasion/Anti Avoidance

Anyone convicted of knowingly attempting to evade their responsibilities can be fined up to $25,000 and/or be imprisoned for up to 24 months. It's also illegal for an employer to aid or assist another person to commit an offence.

Records you need to keep

You must keep all wage records for seven (7) years, including all employee tax code declaration forms, pay sheets and PAYE payment receipts. Your records must be in the English language.

Incorrect PAYE

Employers must provide FRCS with their correct employees' details in the Payday filing.
Failing to provide the correct details is a serious offence and can result in the employer being prosecuted and penalized in accordance with the Tax Administration Decree 2009.

Amendment

Employers can go back 2 years to amend a return from date of lodgment.

If you disagree

We make every effort to apply the tax laws fairly and correctly, but sometimes you may disagree with how we've assessed your tax. In most cases we can correct the assessment before you need to lodge an objection. If we can't agree, there is a formal objection process to follow, so your rights are protected in case the matter goes to court:

- Summarize the details for each employee at the end of each deduction payment period on monthly basis.
- Keep a summary that shows the totals for each deduction period for Gross Wages, PAYE and FNPF deductions.

Part 4: Record Keeping Requirements

To help with your record keeping, you can purchase commercially designed wage books and computer payroll software packages. If you do not have software, then FRCS payroll software is what can be used.

Manual record keeping (in absence of electronic records)

- Start a new page in your wage book as soon as an employee starts work with you or at the beginning of each tax year. Make sure you give you the personal details you need.
- Keep a separate page for each employee, even if you were only employed for one day.
- Complete all these wage details for each pay day:
  - total gross earnings (amount before PAYE tax is deducted).
  - total fringe benefits (cash and non-cash provided before PAYE tax is deducted).

The information in your wage book will help you complete the payday filing.

Audit procedures

Every employer can expect to be audited from time to time. This will involve checking your PAYE records against the PAYE lodged to ensure that correct taxes are paid.

All financial records must be maintained for seven years. If you want to destroy records within seven years, you must seek CEO's approval.

Failure to keep adequate records is a very serious matter and can result in either a fine, imprisonment or both.

Part 5 – Services you may need

Tax Advisory Service

FRCS offer a free business tax information service to individuals, new businesses and organizations to help them meet their tax responsibilities.

Services available include:

- Taxes you need to know about
- Records that you need to keep
- Completing your tax returns (e.g., PAYE and employer summaries)
- When to file returns and make payments and
- Advice on technical tax issues.
- Workshops and training.

In case you are facing any problems, or you have specific queries related to your circumstances you can contact us through the following:

1326 toll free line **or email** **info@frcs.org.fj**

You may also email your query to payevalidation@frcs.org.fj or visit the following FRCS office.

- Suva - FRCS Complex, corner of Queen Elizabeth Drive and Ratu Sukuna Road, Nasese.
- Levuka - Fiji Ports, Main Street, Levuka Town.
- Lautoka -19 Tavewa Avenue, Lautoka City.
- Nadi - Challenge Plaza, Votualevu Nadi.
- Nausori - FDB Building, Main Street2, Nausori Town
- Sigatoka - FDB Building, Main Street, Sigatoka Town.
- Rakiraki - Ground Floor, FDB Building, Vaileka Street, Rakiraki Town
- Labasa - 1st Floor Ratu Raobe Building, Corner of Nanuku & Jaduram Street, Labasa Town
- Savusavu - Bayview Barberslauts, Main Street, Savusavu Town.
- Ba- FIFA Building, Ganga Street, Main Town Ba

Browser Compatibility

TPOS works best on **Google Chrome** and is compatible with other major web browsers, excluding Internet Explorer. Ensure to have **JavaScript enabled** in your browser and for the best user experience, we advise keeping your **browser updated to the latest available version.**