



Tax deductions for Employers through the Employment Taxation Scheme (ETS)

The Employment Taxation Scheme (ETS) is a tax rebate incentive for employers and businesses that employ first time employees, disabled persons and students. The Employment Taxation Scheme encourages Fiji businesses to support the employment of school leavers, tertiary students, persons with physical disabilities and the promotion of higher education for employees, through participation in the Scheme.

Eligible employers can claim deductions ranging from 150% to 300% of the amount of salary, wages and education fees if the necessary conditions are met. Interested employers can register by completing the application form and submitting it to Revenue and Customs.

1. Tax rebate for employing First Time Employees

Employers will be allowed a tax deduction for wages paid to a first full time employee in the first 12 months of employment, provided the person was not previously employed. The employee's pay **must not be less than the minimum wage** for the industry or sector. The employer is allowed 200% deduction on salary/wages paid to the new employees who are employed on or after 1st August 2016. This incentive is available to employers from 1st August 2016 to 31st December, 2020.

Example 1 – ACo hires another employee (Sami) in Feb 2017. Sami will be paid \$15,000. In its 2017 tax return, ACo will claim the following deductions:

<i>Date</i>	<i>Wages paid</i>	<i>Deduction [%]</i>	<i>Allowable Deduction</i>
<i>Feb 2017 – Nov 2017</i>	<i>\$15000</i>	<i>200%</i>	<i>\$30,000</i>

2. Tax rebate on Work Placements for students

An employer is allowed 200% deduction on the amount of salary/wages paid in the **first six months** of employment, to a student on a work placement. The employment must be **part of the student's graduation requirement** in a learning program set by a higher education institute. Higher education institution includes an educational institution in Fiji that provides award-conferring post-secondary education; example, Technical and Vocational Education and Training centres, information technology centres, secretariat schools, language schools, hospitality training centres, care-giving training providers, performing arts and sports academies, religious educational institutions, colleges and universities.

This incentive is available in the period 1 August 2016 – 31 December 2020.

Example 2 – Wages paid to employee on work placement

BCo employs Jone for 8 months in 2017 for \$320 per month. Jone is studying mechanical engineering

in a recognized vocational institution in Fiji. He is required to work for 4 months in a garage as part of his graduation requirement. Total wages for the period of employment was \$2560 (\$320 x 8 months).

BCo can claim a 200% deduction on total wages paid in the first 6 months.

- a. Wages for 6 months ($\$320 \times 6 \text{ months}$) = \$1920*
- b. Deduction allowed = \$3840 ($\$1920 \times 200\%$)*

3. Tax rebate for employing students on Part Time basis

An employee allowed a 200% deduction for the amount of salary/wages paid to a student who is a part time worker and the employment must be related to the student's area of study. It does not apply to permanent employees pursuing private studies. A deduction is allowed for the wages paid in the **first 3 months** in a 12-month period. The incentive is available in the period 1 August 2016 – 31 December 2020.

Example 3 – Wages paid to part time worker

FCo an accounting firm employs Jane an accounting student at local university on a part time basis. Jane works at FCo every morning for 4 hours. She is paid \$500 a month. Total wages for 2017 was \$4000 (\$500 x 8 months).

FCo can claim a 200% deduction on the wages paid in the first 3 months.

Year	Wages paid to Jane	Deduction allowed
2017	\$1500 (\$500 x 3 months)	\$3000 (\$1500 x 200%)

4. Tax rebate for employing a Person with Disability

An employer is allowed a 300% tax deduction for the amount of wages and salaries paid to an employee with physical disabilities recruited from 1 August 2016. The employer's application for the tax rebate must be supported by a medical certificate explaining the nature of the disability. The salary/wages deductible is the amount paid from the date of recruitment and the deduction for salary/wages paid can be **claimed for 3 consecutive years**. If an employee is unfairly dismissed (as determined in a court of law), the employer will be taxed on the amount of incentive allowed as a deduction. This incentive is available from 1st August 2016 to 31st December 2022.

Example 4 – Wages paid to disabled person

EFG Partnership engages Rita, a switch board operator, in October 2016 and was paid \$500 a month. Rita is visually impaired. EFG can claim a tax deduction of 300% for 3 years.

Year	Wages paid		Deduction allowed
2016 -	\$1500	(3 months)	\$4,500 (1,500 x 300%)
2017 -	\$6000		\$18,000 (6,000 x 300%)
2018 -	\$6000		\$18,000 (6,000 x 300%)
2019 -	\$4500	(9 months)	\$13,500 (4,500 x 300%)

If Rita is unfairly dismissed, any amount above the ordinary claimable expense will be recouped as follows-

Year	Wages paid	Deduction allowed Recouped	
2016 -	\$1500	\$4,500	\$3000 (4,500- 1,500)
2017 -	\$6000	\$18,000	\$12,000(18,000- 6,000)
2018 -	\$6000	\$18,000	\$12,000(18,000- 6,000)
2019 -	\$4500	\$13,500	\$9000(13,500- 4,500)

Therefore, the total of \$36,000 will be recouped and taxed accordingly.

5. Employee Development

An employer is allowed a 150% tax deduction on the amount spent by an employer on an employee's formal education fees (tuition fees) to study in a tertiary institution, during the course of employment.

The employee must be required to work for the employer for a minimum period of one year upon completion of studies. This applies to education that will result in the issue of a certificate, diploma degree etc. to the employee. It does not apply to usual work benefits that employers may undertake to up- skill their staff such as attendance at workshops, group training etc. The deduction will be allowed on expense incurred on or after 1 August 2016 till 31st December 2020.

Example 5 - Employee development expense

HJK Bank requires two employees to undertake banking courses at a local university.

In 2017, the cost of education was \$8000. In its tax return for 2016, HJK can claim a tax deduction of \$12,000 (\$8,000 x 150%)

In 2018, the education cost for 6 employees was \$10,000. HJK can claim a tax deduction of \$15,000 (\$10,000 x 150%)

Employers interested in the ETS can check whether they meet the requirements before applying for registration by writing to info@frcs.org.fj or call 3243000 for more information.