



**PRACTICE
STATEMENT
PS 1 /2012**

SUBJECT	FIJI REVENUE & CUSTOMS AUTHORITY: VALUATION OF BENEFITS PROVIDED TO EMPLOYEES UNDER THE PAY-AS-YOU-EARN SYSTEM
DATE OF EFFECT	1 January 2012
CONFIDENTIALITY STATUS	May be released to the public
LEGISLATIVE REFERENCES	<i>Income Tax Act 1974 Section 79 Income Tax (Employments) Regulations (Reg 6) Fringe Benefits Tax Decree, 2012</i>
PRACTICE CO-ORDINATOR	National Manager Revenue Collection

INDEX

Introduction	2
Legislative basis	3
Valuation of non cash benefits	3
Motor vehicle benefit.....	4
Housing benefit	4
Interest	5
Excess Contributions to approved funds.....	5
Insurance.....	6
Other benefits.....	6

INTRODUCTION

- 1) This Practice Statement sets out the practice of the Fiji Revenue & Customs Authority (FRCA) in relation to the valuation of benefits, cash or otherwise, provided by an employer to an employee or person associated with an employee. This Statement applies equally to employees in the public or private sector. It is issued with the authority of the Chief Executive Officer, who is also Commissioner of Inland Revenue.
- 2) This Statement replaces PS#30 which applies up to 31/12/2011 and was developed to coincide with the release of PS # 2/2012 which provides guidelines on the new tax for employers that provide non cash fringe benefits to employees. The Fringe Benefits Tax (FBT) for employers is effective from 1 January 2012. Section 11 (z) of the Income Tax has also been amended to ensure that the types of benefits that fall under the FBT Decree are not taxed again under the income tax.
- 3) Paragraph 22 of PS#2/2012, states that *“it may not be possible to impose FBT on some employers such as diplomatic and consular missions and certain public international organisations that are exempt from tax under a convention or other international agreement. In such cases, Fiji nationals employed in such organisations will be required to account for the tax on those benefits. Such employees continue to be liable for the tax under section 11 (z) of the Income Tax Act. “* In this regard, such employees may use this PS as guidelines for calculating the taxable value of benefits as well.
- 4) Section 11 (z) now includes a provision whereby non cash benefits that are ‘exempt benefits’ for FBT purposes are also exempt from income tax and not taxed to employees. This refers to the following benefits:
 - Benefits that are exempt under section 17 of the Income Tax Act
 - Emoluments that are exempt under section 17 of the Income Tax Act
 - Benefits provided for official purposes such as training, provision of meals/refreshments on special occasions.
 - Meals/ refreshments provided in canteens , cafeterias or dining rooms operated on or behalf of an employer solely for the benefit of employees
 - The provision of housing in a remote area.
- 5) Under section 17 of the FBT Decree, the following benefits are not FBT taxable benefits therefore continue to be taxed to the employee under the income tax ; they are :
 - an allowance;
 - contributions to the Fiji National Provident Fund or a superannuation fund, superannuation scheme , pension , or provident fund or retiring plan
 - benefits provided under an employee share scheme

- 6) All cash payments paid by the employer to an employee as a benefit will be taxable to employees under section 11 (z) .
- 7) In relation to FNPF, any excess contributions made by employers for the benefit of employees continue to be taxed under section 11(z)
- 8) Benefits received by employees and associates under employee share schemes continue to be taxed under section 11A and 11B respectively.

LEGISLATIVE BASIS

- 9) The “Pay-As-You-Earn” (PAYE) system of tax collection is found in Part XI of the *Income Tax Act 1974* and in the *Income Tax (Employments) Regulations*. Under the system, employers are required to deduct tax from emoluments paid to employees.
- 10) Section 79 of the Act defines “emoluments” as
“all salary, wages, overtime, bonus, remuneration, gratuities, including the estimated annual value of any quarters or board or residence or of any other allowance granted in respect of employment whether in money or otherwise, stipend, commission, or other amounts for services, directors’ fees, retiring allowances or pension, accruing in, derived from or received in Fiji, and which are assessable to tax, but shall not include any salary or share of profits arising from a trade, business, profession or vocation carried on by any person either by himself or in partnership with any other persons.”
- 11) Sub-regulation 6(2) of the Regulations provides a rule relating to the timing of payment of non-cash benefits. It is clear from the definition of “emoluments” in the law that the amount of benefits to be taxed is their “estimated annual value”, being the value to the employee. That value should be estimated at market value where possible and appropriate. The law does not require a precise calculation but an “estimate”, and the estimate should be as close as possible to the actual value.
- 12) Where non cash benefits are liable to FBT, they will be treated as non taxable fringe benefits for income tax purposes. Although such emoluments may not be subject to income tax for some employees, their employers will be required to declare the cost of providing such benefits to those employees.

VALUATION OF COMMON NON CASH BENEFITS

- 13) The following paragraphs are intended to be used a guide for determining the taxable value of non cash benefits for some of the common benefits.

Motor Vehicle-Benefit

14) Where an employee is permitted to use his employer's motor vehicle for private purposes, the taxable benefit will be as follows:

Motor vehicle engine capacity	Value per quarter
Under 1,800cc	\$656
1,800cc and < 2,000cc	\$778
2,000cc and above	\$958
Irrespective of engine capacity, if the cost of the vehicle exceeds \$100,000	\$958 plus 2.5% of the excess of the cost above \$100,000.

- 15) Where a motor vehicle in respect of which import duty has been waived or reduced, is provided, the ex-show room price is to be taken.
- 16) Where instead of a motor vehicle the employee is given an allowance, the value of the benefit will be taxed under section 11(z) to the employee.
- 17) These instructions apply to any type of motor vehicle owned or leased by the employer.

Housing benefit

- 18) The value of a housing fringe benefit provided by an employer to an employee for a quarter must not exceed –
- (a) in the case of furnished accommodation or housing, 1/8th of the emoluments paid to the employee for the quarter; or
 - (b) in the case of unfurnished accommodation or housing, 1/9th of the emoluments paid to the employee for the quarter.
 - (c) If the accommodation or housing is standard quarters, the amount determined under subsection (3) for a quarter is reduced by one-third.
- 19) Where the assessable benefit determined is reduced by any rent paid by the employee and such reduction results in a nil value, no benefit is to be taken.
- 20) Where instead of housing/quarters the employee is given a cash grant, the amount paid will be taxable to employee under section 11 (z) .

Interest Benefit on Loans at Discount Rate

21) A) A loan provided by an employer to an employee is a loan fringe benefit.

B) Subject to (C), the value of a loan fringe benefit for a quarter is the difference between the interest paid by the employee on the loan for the quarter, if any, and the interest that would have been paid by the employee on the loan for the quarter if the loan had been made at the market lending rate for that quarter.

C) The value of a loan fringe benefit is reduced to the extent that the loan funds are used by the employee to derive amounts included in total income.

Excess Contribution to FNPF or Other Superannuation Scheme

22) The taxable value of benefit to an employee, made by an employer to the FNPF or any retirement / superannuation fund, is the amount paid **in excess of the statutory minimum** that the employer is required to make under the trust fund/trust deed rules, or 8 %, whichever is less. Any excess contributions made by employers for the benefit of employees continue to be taxed under section 11(z) to the employee.

Insurance

23) Where an employer enters into a scheme with an insurer to provide health cover to its employees, a benefit arises for the employee. The benefit is that the employer has met the cost of the insurance rather than the employee.

24) The value benefit is the insurance premium paid by the employer.

Other Benefits

25) The taxable value of free water, electricity, telephone, gas, children's school fees, insurance premiums, reimbursed education/medical expenses and similar benefits would be the **actual cost** to the employer in providing the benefit.

26) Where an employee is paid a cash grant in lieu of any benefit, the full amount paid is to be taken as additional emoluments.

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