



**PRACTICE
STATEMENT
No. 6/2012**

SUBJECT	FIJI REVENUE & CUSTOMS AUTHORITY: SOCIAL RESPONSIBILITY LEVY
DATE OF EFFECT	1 January 2012
CONFIDENTIALITY STATUS	May be released to the public
LEGISLATIVE REFERENCES	<i>Income Tax Act 1974 Tax Administration Decree 2009 Income Tax (Employments) Regulations</i>
PRACTICE CO-ORDINATOR	National Manager Revenue Collection

INDEX

Introduction	2
Legislative basis.....	2
Administration.....	2
Miscellaneous...	4

INTRODUCTION

- 1) The purpose of this Practice Statement is to provide guidance on the application of the Social Responsibility Levy. Individuals and employers can use this as a guide for making calculations and payments. It is issued with the authority of the Chief Executive Officer of the Fiji Revenue & Customs Authority (FRCA).
- 2) SRL is a special contribution to the welfare of the underprivileged in Fiji therefore is not a permanent form of taxation.
- 3) It will be administered in a manner similar to the PAYE system for employees and Provisional tax system for self employed persons. It applies to individuals, trustees of estates and trustees of taxable trusts whose chargeable income is more than \$270,000 in a year of income.

LEGISLATIVE BASIS

- 4) In the 2012 Budget Address, the Minister of Finance announced that a Social Responsibility Levy (“SRL”) is to come into force on 1 January 2012. The SRL is imposed on individuals by section 7E of the Income Tax Act, 1974.
- 5) Section 7E states :
 - (1) *Subject to this Decree, a levy to be known as “social responsibility levy” is imposed for a tax year at the rate specified in the Table A8 Fourth Schedule on a person other than a company who is liable for income tax*
 - (2) *The social responsibility levy payable under subsection (1) for a tax year is computed by applying the rate specified in the table A8 of Fourth Schedule to the chargeable income of a person*
 - (3) *The individual and employer shall be liable for the levy*
 - (4) *The individual and employer shall lodge the return in the approved form and pay the levy on or before the end of the month following the month in which the levy was due.*
 - (5) *Where an employee or an individual has other sources of income, the employee or the individual may make arrangements with the Commissioner for appropriate deductions for SRL.*

ADMINISTRATION

- 6) SRL applies to resident individual that, in an income year, have a “chargeable

- income”¹ exceeding \$270,000.
- 7) SRL for non residents starts from 19% and is applied on every dollar earned.
 - 8) SRL payable for resident individuals is computed by applying the appropriate rate to the chargeable income. The rates are provided in Table A8 of the Fourth Schedule (refer attachment 1)
 - 9) The levy rate for resident individuals starts from 23% per annum however, the amount due is paid in monthly installments. For ease of administration, SRL tables similar to the standard PAYE tax tables have been developed so that individuals and employers can work out the amount payable for each month.
 - 10) This means that resident individuals who expect to earn over \$270,000 in 2012 and subsequent years will be required to estimate their chargeable income. If the estimate exceeds \$270,000, they must calculate the amount of levy due each month and make payments to FRCA. Employers will be required to make deductions and remittances as well.

Example 1 - resident individual

Mr. X is entitled to a salary and other cash benefits that amount to \$418912 for 2012. His 'estimated' chargeable income is \$416212 after taking into account personal allowances totaling \$2700 (wife allowance \$1200, FNPF \$1500). He is a Fiji resident and is paid monthly. According to the SRL table for resident taxpayers, the SRL for the chargeable income bracket \$400,001 - \$450,000 is 26% per annum on every dollar of chargeable income.

SRL for each month is \$9018 calculated as follows:

Estimated chargeable income per month: \$34684 (\$416212 /12)

SRL amount on \$34684: \$9018

To confirm that this amount is correct

Calculate the total amount that will be paid in the year: \$9018 x 12 = \$108216.

Calculate SRL on \$416216 @ 26% = \$108215.12 (difference 0.88 ignored)

- 11) Individuals liable to pay SRL can make remittances to FRCA in a number of ways. The following options are available. They can either make payments through their employers or make payments directly to FRCA.

a) Employees

¹ Chargeable income = Total income less allowances and deductions allowable under the Income Tax Act

- For those that are solely salary and wage earners, employers will make the SRL calculations, deductions and remittances in the same manner as PAYE
 - Fiji nationals employed in international organizations, embassies and foreign missions will be required to make their own arrangements for payment.
- b) Self employed including trustees of estates and trusts
- For those that are self-employed they will be required to estimate their 'chargeable income' similar to the Provisional tax system and make payments directly to FRCA monthly
- c) Individuals earning both employment income and income from other sources
- For those that earn both employment income and business income (e.g. rental income, tax income, bank interest) they will be required to either inform their employers of their "estimated" chargeable income for the year, and/ or make payments directly to FRCA.

Returns and Payments

- 12) SRL payable will be reported monthly in a return which will also serve as the remittance advice slip.
- 13) Where the person making the payment is an employer and a remittance is in respect of a number of employees, only one form is to be filled together with a summary.

Overpayment of SRL

- 14) Final determination of SRL payable will depend on the outcome of processing of income tax returns. Where upon final determination, a resident individual chargeable income is found to be below \$270,000 or below the estimated amount; any excess SRL paid will be refunded.

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