



Fiji Islands Revenue and Customs Authority

PRESS RELEASE

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Fiji Islands Revenue & Customs Authority Chief Executive Officer, Jitoko Tikolevu today issued a statement in response to a media report questioning the introduction of a new tax on benefits tax without consultation (Fiji Times article titled “FVB queries tax” Tuesday, 5th February, 2008; p.14)

Mr. Tikolevu issued the following clarification:

- 1) the provision of free meals and accommodation to hotel workers is a benefit that is subject to tax as it is made in connection with employment. This applies to any employee receiving such benefits regardless of the nature of the employer’s business;
- 2) the taxable value of any employee benefit including meals and accommodation is the “cost to the employer” in providing the benefit or allowance.
- 3) the estimated value of non cash benefits determined by the Commissioner is based on market value as the law does not require a precise estimate
- 4) the Commissioner’s estimate of the taxable value of hotel meals and accommodation has been communicated in writing to all hotel owners since the PAYE regulations were introduced in 1974.
- 5) the basis of valuation up to 31/12/07 that was issued to all employers in 1997 (PAYE#2/97). has been in existence for over 10 years
- 6) the current basis of valuation set by the Commissioner is far less than the actual cost of accommodation provided at hotels. The employer is required to make adjustments for the actual value when determining the assessable value at the end of the year.

Mr. Tikolevu said that:

“the Commissioner is required to make an estimate of the assessable value of benefits based on the market value and this was done after consultation with representatives of the Fiji Institute of Accountants.

“hotel owners who are employers are required, like all other employers in Fiji to abide by the Income Tax Employments Regulations therefore should be aware of the past instructions to tax benefits granted in respect of employment.

“employers (and employees) were advised through a Public notice in late December 2007 that the Practice Statement # 30 revokes and supersedes previous instructions. This should have indicated to the FVB and hoteliers that this is not a new tax or new set of rules.

“the taxable value of meals and accommodation for hotel workers had been in existence for 10 years (1997-2007) and since then there had been a steady increase in the cost to the employer in providing these benefits. Since employers are allowed to claim such costs in determining their total income for tax purposes, it was necessary to carry out the review.

“the opening paragraphs of the current instructions (Practice statement #30) explain that estimated annual value should be as close as possible to the actual value therefore, at the end of the income year the employer is required to make the necessary adjustments so that the employee is taxed on the actual value which the employer will claim as a deduction.

Mr. Tikolevu refuted the FVB’s comments that the taxing of benefits would be an additional cost to employees. He stated that all employers should be aware that salaries and related benefits were subject to tax.

He said that employers provided benefits to attract and retain employees; and was required by law to ensure that tax was correctly deducted.

He also expressed concern at the possibility that hotel owners have not been complying with the PAYE regulations and stated that the matter would be investigated accordingly.

JITOKO TIKOLEVU
CHIEF EXECUTIVE OFFICER