



INLAND REVENUE DIVISION  
PRIVATE MAIL BAG  
SUVA, FIJI

TEL.NO. 312800 EXT: 2255 or 2250

REFERENCE: 1/2000

## **TO: ALL EMPLOYERS**

### **VALUE OF BENEFITS OF EMPLOYEES (Withdrawn as of 1<sup>st</sup> January, 2008)**

This Circular is to replace the previous one in respect of Employee Benefits, which was issued on 21<sup>st</sup> December, 1996. Please note that the only changes are in respect to item 3 and 4. The basis to be used for determining the estimated taxable benefits to employees with effect from 1<sup>st</sup> January 2000 are as follows:

#### **1. Motor Vehicle-Benefit**

The following basis is to be used for determining the estimated taxable benefit arising from private use of motor vehicle:

- (1) (i) Where an employee does not own a car and is permitted to use his employer's car for private purpose, the taxable benefit accruing to him will be:
  - (a) \$1800 per annum if the engine capacity of the car is under 1800c.c.
  - (b) \$2000 per annum if the engine capacity of the car is 1800c.c. and under 2000c.c.
  - (c) \$2400 per annum if the engine capacity of the car is 2000c.c. or over.
  - (d) Irrespective of the engine capacity, where the cost of the car is over, \$60,000, \$2,400 per annum plus 10% of the excess of the cost over \$60,000.

(ii) Where an employee owns a car, the taxable benefit accruing to him is to be determined at 75% of the value shown in (1) above.

(iii) Where, instead of a car, a utility van is permitted to be used by an employee for private purpose, the taxable benefit accruing to him is to be determined at 50% of the value shown in (1) above.

(iv) Where a vehicle is provided to a share holder or director of a company or to a relative of any shareholder or director, the above values are to be used when making PAYE tax deductions during the year, and upon receipt of his return of income the benefit will then be finally ascertained, having regard to the type of vehicle provided etc.

(v) Where a vehicle is provided in respect of which import duty has been waived or reduced, the cost of the vehicle is to be taken for the purpose of (i)(d) above as the equivalent ex-show room price for such vehicle.

## 2. Quarters

### (a) Employees-including civil servant

The method of determining the estimated taxable benefit arising from free or partly free quarters provided to employees, effective from 1<sup>st</sup> January 1997 is as follows:

(i) Where an employee is provided a furnished house the benefit accruing to him will be determined at one-eighth of his basic emoluments subject to (vi) below.

(ii) If he is provided an unfurnished house the benefit to him will be determined at one-ninth of his basic emoluments subject to (vi) below.

- (iii) Where standard quarters are supplied to a large number of employees (other than quarters classified as special Grades I to IV provided to Government employees) or where the employer's business operations are located fifteen kilometers away from any town or city centre and employees are housed near the employer's business, the fraction one-eighth or one-ninth is to be discounted by one-third in determining the assessable benefit subject to (vi) below.
- (iv) The assessable benefit will be calculated on emoluments up to \$96,000 and if the emoluments exceed \$96,000, the excess shall not be taken into account in determining this benefit. However, in the case where accommodation is rented by the employer the maximum assessable benefit to the employee shall be lesser of the actual rental paid or the benefit determined as in (i), (ii), (iii), above subject to (vi) below.
- (v) Where the rental paid by the employer in providing quarters to the employee exceeds \$20,000, the lesser of one-eighth of the basic emoluments or 50% of the actual rent is to be taken as the assessable benefit.
- (vi) The assessable benefit determined above will be further reduced by twice the actual amount of rent paid, if any, by the employee. Such reduction may cause a nil value in which case no benefit is to be taken.
- (vii) Where an employee is paid a cash grant in lieu of quarters, the full amount paid is taxable.

**(b) Shareholder/Director of Private Companies/Family Controlled Public Companies.**

Where free or partly free quarters are provided to a shareholder or director of a private company or of a family controlled public company, or to a relative of any such shareholder or director, the following basis is to be used in determining the estimated taxable benefit when making PAYE tax deductions.

- (i) Where the quarters is rented by the employer the actual rental paid is to be taken as the assessable benefit.
- (ii) Where the quarters is owned by the employer, the assessable benefit would be as follows:

Up to a cost of \$70,000 - 9% of the cost  
Plus in respect of any cost  
Exceeding \$70,000 up to  
\$100,000 - 10% of such excess  
Plus in respect of any  
Excess over \$100,000 - 11% of such excess

Example:

Cost of quarters	\$150,000		
Assessable benefit	\$ 70,000 at 9%	=	\$6,300
	\$ 30,000 at 10%	=	\$3,000
	\$ 50,000 at 11%	=	<u>\$5,500</u>
			<u>\$14,800</u>

If the benefit calculated as above is less than that determined on the basis in 2(a) above, then it will be taken as one eighth or one ninth of the salary.

The assessable benefit determined above will be reduced by the actual amount of rent paid, if any, by the shareholder/director. If the actual rent paid exceeds the figure ascertained on the basis of the foregoing formulae, no taxable benefit would accrue to the shareholder/director.

3. **Subsidised or Free Travel Benefit**

Where free or subsidised travel is provided to employees, or is received by virtue of employment, such as by employees of airlines, travel agents or tour operators etc. (regardless of the ultimate beneficiary of such free or partly free travel) the employee, by virtue of whose entitlement to such free or partly free travel arose, will be assessed on the value of such benefit. The following basis is to be used in determining the estimated taxable benefit when making PAYE deductions with effect from 01<sup>st</sup> January, 2000.

- (i) Where travel is provided free of charge, 40% of the value of the *standard economy fare* at the time of travel.
- (2) Where travel is provided at a discount, 40% of the values of the standard economy fare at the time of travel, reduced by the amount actually paid by the employee.
- (3) Where the cost of passages is borne by the employer, the previous basis will continue, that is, the value of benefit would be the actual cost to the employer.
- (4) Any free or subsidised travel provided to relatives of employees should be directly assessed to the employee with any PAYE tax to be deducted accordingly, for the purposes of section ii (z); the term dependent relative includes any blood relative or associate who receives a benefit by virtue of the employee's position.

- (5) For the purposes of effecting tax deductions, the emoluments are to be adjusted upward on each occasion the benefit arises, by the amount of benefit calculated so that tax is not to be recovered in retrospect unless the employee so desires. (There is likely to be some under-recovery, which would have to be adjusted when the employee lodges his return of income).
- (6) PAYE tax need not be deducted on travel benefits provided to persons other than their own employees (or relatives). For the purposes of section 47, however, details of such benefits provided to a 3<sup>rd</sup> party (including the name and address of each taxpayer) need to be submitted to Inland Revenue.

4. **Interest benefit on Loans at Discount Rate**

Where, by virtue of employment, an employee is provided a loan facility by the employer at a rate of interest lower than the prevailing market lending rate of interest, the difference between the amount of interest actually paid and the amount that would otherwise be payable had the market lending rate of interest been charged, will be treated as an additional emolument derived by the employee. The following basis is to be used in calculating interest benefit when making tax deductions with effect from 01<sup>st</sup> January 2000.

Interest on loan provided to the employee charged at the market-lending rate, reduced by the amount of interest paid by the employee. (The market-lending rate for the purpose of calculating interest benefit has been set at 8.5%).

5. **Discount on Purchases from Employer**

Where items are purchased by an employee which forms part of stock in trade of the employer, or some other person with whom the employer has a reciprocal arrangement for the provision of discount on purchase by employees of each other, any amount of discount provided by the employer or such other person, will be treated as additional

emolument derived by the employees. The following basis is to be used to determine the benefit when making tax deductions.

The retail price of the item, reduced by the amount paid by the employee, is to be taken as additional emoluments to the employee.

6. **Excess Contribution to FNPf or Other Superannuation Scheme**

Where contribution to the FNPf or any other Superannuation Scheme are made by the employer which are in excess of the statutory minimum contribution required to be made or are in excess of the amount required under the relevant trust deed setting up the scheme, to be made by the employer, or where the employer is entitled to recover any part of the contribution from the employee but does not, any such excess contribution or non-recovery will have to be treated as additional emoluments to the employee and recovery of appropriate tax made each pay day.

7. **Other Benefits Such As Free Electricity, Water, Telephone, Gas, etc.**

The taxable value in respect of the above benefits (and the like) would be the **actual cost** to the employer in providing the benefit. There will be no change to the basis of determining the taxable benefit with regard to these.

All employers should ensure that the above basis for determining and incorporating taxable benefits are implemented with effect from the first pay period commencing on or after 1<sup>st</sup> January 1997 except stated otherwise.

If any clarification is required enquires should be directed to Telephone Number 312800, Extension 250 or 255.

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[M. Veretayaco]

**DIRECTOR GENERAL – INLAND REVENUE**

**FIJI ISLANDS REVENUE & CUSTOMS AUTHORITY**