FRINGE BENEFIT TAX

For All Employees and Employers

TAXABLE BENEFITS

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FIJI REVENUE & CUSTOMS AUTHORITY
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What is a Taxable Benefit?

Taxable benefits include any benefits whether in cash or in kind that is provided free by the employer to the employee or persons associated with the employee (e.g. housing, telephone, water etc).

The value of benefits received by an employee from his/her employer is subject to income tax. Employers are required to deduct tax from emoluments specified under Section 79 of the Income Tax Act. If benefit is provided to the employee, tax should be deducted.

Cash Benefits are subject to Normal Tax whereas Non-Cash Benefits are subject to Fringe Benefit Tax (FBT).

Who are regarded as employees for FBT purposes?

An employee is defined as “an individual engaged in employment”.

Other office holders such as directors, managers and associates (including certain relatives) of the employees are treated as employees for the purpose of the FBT Decree.

What is Fringe Benefit Tax?

Fringe Benefits Tax is a tax levied at the rate of 20% on the fringe benefit taxable amount (non-cash benefits) of the employer for each quarter. (Effective from 01/01/2012). (Refer Fringe Benefit Tax Decree and FBT Practice Statement)

Common examples of fringe benefits are:
- a debt waiver fringe benefit.
- a household personnel fringe benefit.
- a housing fringe benefit.
- a loan fringe benefit.
- a meal or refreshment fringe benefit;
- a motor vehicle fringe benefit;
- a private expenditure fringe benefit;
- a property fringe benefit; and
- a residual fringe benefit.
Exempt Fringe Benefits
The following are examples of benefits that are exempt from FBT:

- Scholarship provided by an employer that is exempt under Section 17(19) of the Income Tax Act;
- Cost of passages of an employee that is deductible from the employee’s chargeable income under Section 17(33) of the Income Tax Act;
- Fringe benefits provided to a member of the State’s armed forces in respect of employment giving rise to income that is exempt under Section 17(14),(15) and (16) of the Income Tax Act;
- Occasional departmental or celebratory lunches or dinner, refreshments provided at training courses, occasional cocktail parties or firm picnics, or one-off private use of a car;
- A meal or refreshment provided in a canteen, cafeteria, or dining room (referred to below as an “eating facility”) operated by or on behalf of an employer solely for the benefit of employees and which is available to all non-casual employees on equal terms;
- The provision of accommodation or housing to an employee in a remote area (i.e. an area that is fifteen kilometers, or more, from a town or city centre, and includes on board a vessel when not berthed.) This is subject to the fact that the employee’s usual place of employment is in the remote area and it is necessary for the employer to provide accommodation or housing in the remote area;
- An allowance related to private expenditure (which is included in the emoluments of an employee) and that is subjected to normal income tax;
- A contribution by an employer for the benefit of an employee to the Fiji National Provident Fund or a superannuation fund, superannuation scheme, pension or provident fund, or a retirement plan, including excess FNPF contributions;
- A benefit provided under an employee share scheme as defined in section 21D of the Income Tax Act and that is subjected to normal income tax;

VALUATION OF FRINGE BENEFITS
In general, the value of a benefit should be the fair market value of the benefit at the time it is provided to the employee. The
The value of a fringe benefit must be reduced by any payment made by the employee for the benefit. The value of any benefit should be apportioned if the expenditure incurred by an employer is partly for work purposes and partly for the private benefit of an employee.

The tables below highlight how the various categories of fringe benefits are to be valued.

(1) **Motor Vehicle Fringe Benefit Valuation**

The value of a motor vehicle fringe benefit for a quarter is as follows:

<table>
<thead>
<tr>
<th>Engine Capacity</th>
<th>Value for each Quarter (VEP Amount)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 1,800cc</td>
<td>$656</td>
</tr>
<tr>
<td>1,800cc and &lt;2,000cc</td>
<td>$778</td>
</tr>
<tr>
<td>2,000cc and above</td>
<td>$958</td>
</tr>
<tr>
<td>Irrespective of engine capacity, if the cost exceeds $100,000</td>
<td>$958 plus 2.5% of the excess of the cost over $100,000</td>
</tr>
</tbody>
</table>

(2) **Housing Fringe Benefit Valuation**

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Value of Housing Fringe Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer owns the accommodation or housing.</td>
<td>Fair market rent for the accommodation or housing for the quarter; reduced by any payment made by the employee for the accommodation or housing.</td>
</tr>
<tr>
<td>Employer rents the accommodation or housing.</td>
<td>Total rent paid by the employer for the accommodation or housing for the quarter.</td>
</tr>
</tbody>
</table>

Note:
The determination of the value of a housing fringe benefit is subject to the following ceilings:

<table>
<thead>
<tr>
<th>Housing Type</th>
<th>Value of Housing Fringe Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unfurnished Accommodation</td>
<td>Maximum Quarterly value of the benefit is 1/9th of the emoluments paid to the employee for the quarter.</td>
</tr>
<tr>
<td>Furnished Accommodation</td>
<td>Maximum Quarterly value of the benefit is 1/8th of the emoluments paid to the employee for the quarter.</td>
</tr>
<tr>
<td>Standard Quarters</td>
<td>The respective ceilings stated above are to be reduced by one-third of the ascertained housing benefit amount.</td>
</tr>
</tbody>
</table>
### (3) Property Fringe Benefit Valuation

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Value of Property Fringe Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transfer of Property</strong></td>
<td></td>
</tr>
<tr>
<td>(1) If the employer’s business involves the supply of property or services to customers.</td>
<td>The normal selling price of the property or services, reduced by any payment made by the employee to the employer for the property or services</td>
</tr>
<tr>
<td>(2) In any other case.</td>
<td>The cost to the employer of acquiring the property or services, reduced by any payment made by the employee to the employer for the property or services.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Provision of Services</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Provision of free or subsidized air travel to an employee by an employer that is an airline operator, travel agent, or tour operator.</td>
<td>Forty (40%) of the standard economy fare for the flight, reduced by any payment made by the employee to the employer for the flight.</td>
</tr>
</tbody>
</table>

Note:
“Services” is defined in subsection (4) to include the use of property or the making available of any facility, such as a child care or recreational facility (e.g. access to a gymnasium)

### (4) Valuation of Other Fringe Benefits

<table>
<thead>
<tr>
<th>Benefit Type</th>
<th>Value of Fringe Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Waiver Fringe Benefit</td>
<td>Amount of the debt waived by the employer.</td>
</tr>
<tr>
<td>Household Personnel Fringe Benefit</td>
<td>Total emoluments paid by the employer to the household personnel, reduced by any contribution made by the employee for the benefit.</td>
</tr>
<tr>
<td>Benefit Type</td>
<td>Value of Fringe Benefit</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Loan Fringe Benefit</td>
<td>Difference between the interest that would have been paid if the loan was made at the market lending rate for the quarter and the actual interest (if any) paid by the employee. This should be reduced to the extent that the employee uses the loan funds to derive amounts included in total income. (e.g. loan partly used for the purpose of acquiring a property which is used to derive rental income)</td>
</tr>
<tr>
<td>Private Expenditure Fringe Benefit</td>
<td>Payment incurred for the particular private expenditure. (e.g. school fees of the employee’s children, utilities bills, non-work related medical expenses, medical insurance premiums, life insurance premiums)</td>
</tr>
<tr>
<td>Meal and Refreshment Fringe Benefit</td>
<td>Employer’s cost of providing the meal or refreshment to the employee reduced by any amount paid by the employee for the meal or refreshment.</td>
</tr>
<tr>
<td>Residual Fringe Benefit</td>
<td>Fair market value of the benefit provided less any payment made by the employee to the employer for the benefit.</td>
</tr>
</tbody>
</table>

Note:
1. The insurance premiums will only be treated as fringe benefits if the employee is the beneficiary under the policy.
2. A meal or refreshment provided in a canteen, cafeteria, or dining room operated by or on behalf of an employer solely for the benefit of employees and which is available to all non-casual employees on equal terms is an exempt fringe benefit under section 7(d). While such a benefit is still a fringe benefit under section 13, the value of the benefit is not to be taken into account in determining the fringe benefits taxable amount.
EMPLOYER OBLIGATIONS
Generally employers are required to comply with the following:
• Employers are required to register as a FBT payer if they are providing such benefits to their employees.
• Employers are required to keep records to support the computation of FBT payable including the valuation of fringe benefits.
• Employers will continue to show the value of benefits provided to employees in their certificate of earnings. This should be clearly declared as non-cash benefits.

Who should account for FBT?
• an employer providing non-cash benefits to employees;
• each trustee of a trust that provides non-cash benefits to employees;
• each partner in a partnership business that provides non-cash benefits to employees.

Lodging of Fringe Benefit Tax Return
• The employer must lodge the quarterly return within one month after the end of the quarter.

Payment of Fringe Benefit Tax
• This should be paid at the time of lodging of the quarterly return. The due dates for each quarter are 30 April, 31 July, 31 October and 31 January.

Penalties
• Penalties apply for failure to file a FBT return or make payment by the due date.
• In the case of a failure to file a tax return under which tax is payable, the employer is liable for a penalty of 20% of the amount of Fringe Benefit Tax outstanding under the return or in any other case, for a penalty of $1 for each day of default.
• In the case of a failure to pay tax by the due date, the employer is liable for a penalty of 25% of the amount of unpaid Fringe Benefit Tax.

Offences
• An employer who fails to file a fringe benefit tax return is seen to be committing an offence and is liable for a
minimum fine of FJ$1000 or to imprisonment for a term not exceeding 3 months or to both a fine and imprisonment

- The courts can impose a minimum fine of FJ$5,000 or to imprisonment for a term not exceeding 6 months or to both a fine and imprisonment on any of the following offences:
  - failure to keep adequate records and accounts relating to the fringe benefits provided to employees;
  - failure to allow authorized tax officials from entering the business premises to inspect fringe benefits provided to employees, fringe benefit tax collection or payment records;
  - failure to produce any books or records relating to the fringe benefits provided to employees and collection/payment of fringe benefit tax.

**FBT CALCULATION**

Computation of Fringe Benefits Taxable Amount

The fringe benefits taxable amount is computed according to the following formula-

\[
A / (1-r)
\]

*Where:*

- \( A \) = the total value of fringe benefits provided by the employer to the employees in the quarter;
- and
- \( r \) = the FBT rate specified in section 5(2)

**Example**

Total value of fringe benefits provided by an employer for a quarter is $80,000. In order to calculate FBT payable by the employer for the quarter:

**Step 1: FBT Taxable Amount**

\[
= A / (1-r)
\]

\[
= 80,000 / (1-0.20)
\]

\[
= 80,000 / (0.80)
\]

\[
= 100,000
\]

**Step 2: FBT Payable**

\[
= \text{FBT Rate} \times \text{FBT Taxable Amount}
\]

\[
= 20\% \times 100,000
\]

\[
= 20,000
\]
ADDITIONAL INFORMATION
All employers are requested to be mindful of the following additional information for compliance purposes.

• Benefits provided to employee form part of their emoluments and must be disclosed even if they may not be subject to normal tax.

• Employees will not pay tax again on non-cash benefits provided as this is a final tax paid by the employer.

• The taxable value of the benefits will not be included in employees’ emoluments for the purposes of determining Paye deductions.

• Once a benefit is subject to FBT, it is not subject to normal tax.

• FBT paid is not an allowable expense/deduction to the employer.

• FBT is a self assessment tax, therefore the employer’s FBT return will also serve as your notice of FBT assessment.

• Fiji nationals employed by Diplomatic and Consular Missions and certain public international organisations that are exempt from tax under a convention or other international agreement will be required to personally account for the tax on those benefits, as is the case with PAYE tax.

Disclaimer
The information in this document are subject to change without notice. For more information, please contact the Taxpayer Education and Publicity Unit on Phone: (679) 3243000 Fax: (679) 3302 321 e-mail: info@frca.org.fj or cectaxquerysuv@frca.org.fj
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Fax: (679) 666 5961

Nadi Airport
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Fax: (679) 672 5390

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Fax: (679) 344 0425

Savusavu
Phone: (679) 885 0727
Fax: (679) 885 0728

Nausori
Air Services Office
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or: (679) 330 2130

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