



**PRACTICE
STATEMENT
No. 2/2012**

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

INDEX

Introduction	2
Legislative basis	3
Imposition of the tax.....	4
Fringe benefit taxable amount.....	4
Exempt fringe benefits	5
Fringe benefits	7
Appendix.....	13

INTRODUCTION

- 1) The purpose of this Practice Statement is to provide guidance on the application of the fringe benefit tax (“FBT”). The tax is imposed on and payable by employers under the provisions of the Fringe Benefits Tax Decree 2011 which is effective from 1 January 2012. It is issued with the authority of the Chief Executive Officer, of the Fiji Revenue & Customs Authority (FRCA).
- 2) The FBT is imposed on employers in relation to fringe benefits provided to all employees. It only applies to benefits in kind. FBT only applies on non-cash benefits with the normal income tax applying to cash benefits.
- 3) To be a fringe benefit it must be ‘provided’ by the employer to an employee.
- 4) 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 valuation rules in FRCA Practice Statement 30 may be used as a valuation formula for common benefits, or cost to employer or market value. The value of a fringe benefit must be reduced by any payment made by the employee for the benefit.
- 5) Tax payable is computed by applying the tax rate (20%) to the employer’s fringe benefit taxable amount for a quarter
- 6) The employer must pay the FBT for each quarter on or before the end of the month following the end of each quarter. The due dates for each quarter are 30 April, 31 July, 31 October and 31 January.
- 7) The due date for lodgment of the return is also the due date for payment of the FBT. It is a self assessment return and the tax payable is not a deductible expense for the employer. Consequently, under section 8 of the Tax Administration Decree, a person who has filed a FBT return is treated as having made an assessment of the amount of FBT payable, being that amount as set out in the return and the return filed is treated as a notice of the assessment served by the CEO on the person filing the return on the date that the return was filed.
- 8) Accountable persons must inform FRCA in writing if they fall out of the registration requirements. In cases where the employer continues to provide fringe benefits but there is no FBT to declare for a quarter, a return indicating that there was no non cash fringe benefit provided for that particular period must be submitted.
- 9) Employees continue to be liable for any kind of benefit received in cash. When a fringe benefit falls under the exempting provisions in section 7 of the Decree it will not be taxable in the hands of the employee.
- 10) Employers are required to keep records to support the computation of FBT payable including valuation of fringe benefits. Penalties apply for failure to file a FBT return or make payment by the due date.

LEGISLATIVE BASIS

- 11) In the 2012 Budget Address, the Minister of Finance announced that a fringe benefits tax is to come into effect on 1 January 2012. The FBT is imposed on employers by Section 5 of the *Fringe Benefits Tax Decree 2012* (Decree No.7 of 2012 dated 10 January 2012)
- 12) Any form of employee benefit that is not covered under the FBT Decree and is not exempt from FBT, continue to be subject to income tax therefore will be included in employment income (Section 6 (3)).

Definitions of Employees (Section 2) & Associates (Section 3)

- 13) The concept of “employment” is central to the definitions of “employee” and “employer”. “Employee” is defined to mean “an individual engaged in employment”. An employment relationship as ordinarily understood does not include an individual engaged on his or her own account as an independent contractor.
- 14) Other office holders such as directors, managers and associates (including certain relatives) of the employees are treated as employees for the purpose of the Decree. Therefore, FBT is imposed on an employer when benefits are paid to such persons.

Valuation rules - Fair market value (Section 4)

- 15) This section defines “fair market value” for the purposes of the Decree. The definition is relevant to those sections that value a fringe benefit by reference to the fair market value of the benefit (e.g. section 17(2) on residual fringe benefits).
- 16) The basic rule is that the fair market value of an asset, item of property, service, or benefit provided at a particular time is the value that the asset, property, service or benefit would ordinarily fetch in the open market at that time. The fair market value is determined on the market conditions prevailing at the time and place that the market value is to be determined. The relevant market may differ depending on the nature of the transaction - it may be a retail market, a wholesale market, or some specialist market in which the supplier and recipient are operating.
- 17) If it is not possible to work out a fair market value of the actual asset, item of property, service or benefit (“actual transaction”), section 14 (2) states that the fair market value of a similar asset, item of property, service or benefit (“similar transaction”) is used. It is adjusted to take account of the differences between the actual transaction and the similar transaction. It is considered that a transaction is similar to the actual transaction if it is the same as, or closely resembles, the actual transaction in character, quality, quantity, functionality, materials, and reputation.
- 18) The CEO is empowered to determine the fair market value of an asset, item of property, service or benefit if it is not possible to determine the amount of the fair market value.

IMPOSITION OF THE TAX (Section 5)

19) **Section 5** states:

“(1) Subject to this Decree, a tax to be known as “fringe benefits tax” is imposed for each quarter on an employer who has a fringe benefits taxable amount.

(2) The fringe benefits tax payable by an employer is 20% of the fringe benefits taxable amount for the quarter.”

20) FBT is imposed on an “employer” including an individual, company, partnership, trust, government, or political subdivision of a government. The reference to a “political subdivision” of a government is a reference to tiers of Government below the national government, such as a town or local council. It also includes a political subdivision of a foreign government,

21) As the FBT is a method for taxing the employer on non cash fringe benefits provided, the fact that an employer is exempt from income tax does not mean that the employer is exempt from FBT. Organisations exempt from income tax are not exempt from FBT provided to employees.

22) Since it is not possible to impose FBT on employers such as diplomatic and consular missions and certain public international organisations that are exempt from tax under a convention or other international agreement, Fiji nationals employed in such organisations will be required to account for the tax on those benefits. These employees continue to be liable for the tax under section 11 (z) of the Income Tax Act.

FRINGE BENEFITS TAXABLE AMOUNT (Section 6)

23) Section 6 (1) provides for the computation of an employer’s fringe benefits taxable amount for a quarter. This is the base upon which FBT is imposed under section 5. The fringe benefits taxable amount is computed according to the following formula –

$$\frac{A}{(1-r)}$$

where –

A = the total value of fringe benefits provided by the employer to employees in the quarter; and

r = the rate of FBT specified in section 5(2)

24) The effect of the formula is to gross-up the total value of fringe benefits provided by an employer in a quarter by the FBT rate. The amount determined for a quarter under section 6 (1) is the taxable amount that is subject to tax at 20% under section 5 (2).

Example 1

Total value of fringe benefits provided by an employer for a quarter is \$80,000,
Find FBT payable by the employer for the quarter

$$\begin{aligned} \text{Step 1 : } \frac{A}{(1-r)} &= \frac{80,000}{(1-0.20)} \\ &= \frac{80,000}{0.80} \end{aligned}$$

$$\text{FBT taxable amount} = \$100,000$$

$$\text{Step 2 } \$100,000 \times 20\% = \$20,000$$

The FBT payable by the employer for the quarter is \$20,000.

Notes:

- The fringe benefits taxable amount (\$100,000) is a pre-tax amount
- The value of the fringe benefits (\$80,000) is a post-tax amount.
- Grossing up replicates the situation with cash salary in respect of which the income tax rates are imposed on the pre-tax amount of the salary. if an employer wants to provide an employee on the maximum marginal rate with sufficient cash to purchase a benefit costing \$80,000, the employer must provide the employee with \$100,000 in gross salary, which, after tax, will leave the employee with \$80,000 to purchase the benefit.
- Grossing up of the value of the fringe benefit ensures that there is neutral treatment between cash salary and fringe benefits..

25) Section 6 (2) identifies three classes of fringe benefit that are not included in the fringe benefits taxable amount of an employee. They are:

- 1) exempt fringe benefits (explanatory notes are given in paragraphs 26 and 27)
- 2) a fringe benefit provided by an employer to an employee that is not received by the employee from sources in Fiji
- 3) a foreign source fringe benefit (unless the benefit is provided by a permanent establishment in Fiji of the employer)

Note: – a fringe benefit is received from sources in Fiji if it either: (i) relates to employment exercised in Fiji; or (ii) is paid by the Fijian Government. All other benefits are foreign-source fringe benefits and outside the scope of the tax.

EXEMPT FRINGE BENEFITS (Section 7)

26) Section 7 (1) sets out five classes of fringe benefit that are treated as exempt fringe benefits for the purposes of the FBT –

Fringe Benefits that are exempt from FBT	Explanatory notes
(a) A fringe benefit the value of which is either exempt income or deducted from the chargeable income of the employee under the Income	An example of a fringe benefit that is exempt income is a scholarship provided by an employer and which is exempt under section 17(19) of the Income Tax Act. The scholarship may be a private expenditure fringe benefit. An example of a fringe benefit that is deducted from the employee's chargeable income is

Tax Act	passages deductible under section 17 (33) of the Income Tax Act. The cost of the passage would be a private expenditure fringe benefit under section 15 of the Decree.
b) A fringe benefit provided by an employer to an employee that relates to employment the emoluments of which are exempt from income tax	<i>Examples include fringe benefits provided to a member of the State's armed forces in respect of Tax Act; and fringe benefits provided to members of the American Peace Corp in respect of employment giving to rise to income except under section 17(30).</i>
c) Fringe benefits whose value is so small as to make it unreasonable or administratively impracticable to account for them for FBT purposes	<p>In determining whether it is unreasonable or impracticable to account for a fringe benefit, regard must be had to the frequency with which the fringe benefit is provided to the particular employee and to other employees. A small value fringe benefit provided to an employee regularly (for example, every week) would not normally be considered an exempt fringe benefit under paragraph (c), nor would a small value fringe benefit provided to a large number of employees (where it is not unreasonable to account for it).</p> <p><i>Examples of fringe benefits which may qualify for exemption under paragraph (c) include occasional departmental or celebratory lunches or dinners, refreshments provided at training courses, occasional cocktail parties or firm picnics, or one-off private use of a car.</i></p>
d) 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	<p>"Canteen", "cafeteria", and "dining room" are intended to have their ordinary meaning and, in particular, "canteen" is intended to include a bar operated by an employer. It is not necessary that the eating facility be on the employer's business premises provided it is operated by or on behalf of the employer. <i>The reference to "operated...on behalf of the employer" is intended to cover, for example, an eating facility operated by an associate company of the employer which is available to all employees of the corporate group. To qualify for the exemption, the eating facility must be available to all non-casual employees of the employer on equal terms. Consequently, an eating facility that is available only to senior employees will not qualify for the exemption, nor will a facility available to all non-casual employees but with entitlements depending on seniority.</i></p>
e) The provision of accommodation or housing in a remote area if two conditions are satisfied	<p>First, the employee's usual place of employment must be in the remote area. Secondly, the employer provides the accommodation or housing for one of the following reasons: the nature of the employer's business is that employees must move frequently from one residential location to another (e.g. employees working at multiple mine sites);</p> <p>there is insufficient suitable residential accommodation available in the remote area; or</p> <p>it is customary in the employer's industry to provide accommodation or housing to employees working in a remote</p>

	<p>area (such as hotels on remote islands or tourist boats).</p> <p>Note: “Remote area” is defined in subsection (2) to mean an area that is fifteen or more kilometres from a town or city centre. “Town” is intended to have its ordinary meaning, namely a place of human settlement that is larger than a village. The definition expressly includes a vessel (such as a ship or tourist boat) when not berthed.</p>
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- 27) The exemption from FBT is carried through to the income tax under the consequential amendment in section 23 of the Decree. Consequently, an employee in receipt of an exempt fringe benefit will not be required to include the value of the benefit in total income under section 11 of the Income Tax Act.

FRINGE BENEFITS (Section 8)

- 28) Section 8 provides for the identification of benefits as fringe benefits (nine specific categories and one residual category). They are defined in sections 9 – 17 and each provide for the determination of the value of each category of fringe benefit.
- 29) Section 8 (2) provides that a benefit is not a fringe benefit to the extent that, if the employee had acquired the benefit him or herself, the expenditure incurred by the employee in acquiring the benefit would have been incurred in deriving emoluments. The purpose of this subsection is to exclude benefits that are work-related benefits.
- 30) The determination of whether a benefit is work-related or private is determined by examining the connection between the benefit and the employee’s employment. The effect of subsection (2) is that, if the employee acquired the benefit him or herself, the benefit is not a fringe benefit if the expenditure that the employee would have had to incur to acquire it is sufficiently connected to the derivation of emoluments.
- 31) The words “to the extent” contemplate apportionment so that a benefit may be partly for work purposes and partly for private purposes. Such a benefit is only a fringe benefit to the extent that it is for private purposes.

Example: An employer provides an employee with a laptop computer exclusively for use for work purposes. While the provision of the laptop is a benefit, it is not a fringe benefit because, if the employee purchased the laptop herself, the cost would be wholly incurred in deriving emoluments. In this case, there is no private benefit to the employee.

If, instead, the employer allows the employee to use the laptop partly for private purposes, the provision of the laptop is a fringe benefit but only to the extent that it can be used for private purposes.

- 32) Section 8 (3) provides that, in determining whether a benefit is a fringe benefit or the value of a fringe benefit, any restriction on transfer of the benefit and the fact that the benefit is not otherwise convertible to cash are to be disregarded. Thus, the fact that a benefit is not convertible to cash (including through transfer of the benefit) does not of itself prevent the benefit from being a fringe benefit and, therefore, subject to FBT.

33) The specific categories of fringe benefits that are subject to the FBT are tabled below. Where a fringe benefit is treated as a “fringe benefit” under section 8 , the value of the fringe benefit is included in the computation of the employer’s fringe benefits taxable amount for a quarter under section 6.

Fringe Benefit	Explanatory notes
Debt Waiver Fringe Benefit (Section 9)	<p>Section 9 provides that the waiver by an employer, of an obligation of an employee, to pay or repay an amount owing by the employee to the employer, is a debt waiver fringe benefit. The value of a benefit is the amount of the debt waived by the employer.</p> <p><i>Example: An employer has lent an employee \$10,000 at market interest rates. The employee pays the interest owing under the loan but does not repay any of the capital. After one year, the employer waives the employee’s obligation to repay the loan. The waiver of the debt is a debt waiver fringe benefit and the value of the fringe benefit is \$10,000. If the employee had repaid \$5,000 before repayment of the loan was waived, the value of the fringe benefit is \$5,000 (i.e. the amount waived).</i></p>
Household Personnel Fringe Benefit (Section 10)	<p>Section 10 provides that the provision of the services of a housekeeper, driver, gardener or other household personnel by an employer to an employee is a household personnel fringe benefit. The value of a benefit is the total emoluments paid by the employer to the household personnel, reduced by any contribution made by the employee for the benefit.</p> <p><i>Example: A person employs a housekeeper to work at the residence of an employee for a monthly salary of \$1,000, the provision of the housekeeper is a household personnel fringe benefit and the value of the benefit for the quarter is \$3,000 (\$1,000 x 3). If the employee reimburses the employer for half the salary, then the value of the benefit for the quarter is reduced to \$1,500.</i></p>
Housing Fringe Benefit (Section 11)	<p>Section 11 (1) provides that the provision of accommodation or housing to an employee by an employer is a housing fringe benefit. Accommodation is interpreted broadly and would include, a house, apartment or a flat, and accommodation in a bunkhouse, hotel, guesthouse, or on board a boat or other vessel. (Note: <i>Remote area housing may be an exempt fringe benefit under section 7(e). While exempt remote area housing is still a fringe benefit under section 11, the value of the benefit is not taken into account in determining the employer’s fringe benefits taxable amount</i>).</p> <p>Section 11 (2) provides for the computation of the value of a housing fringe benefit.</p> <ul style="list-style-type: none"> • If the employer owns the accommodation or housing, the value of the housing fringe benefit is the fair market rent for the accommodation or housing for the quarter. The fair market rent is determined under section 4. • If the employer rents the accommodation or housing, the value of the housing fringe benefit is the total rent paid by the employer for the accommodation or housing for the quarter. • In both cases, the value of the benefit is reduced by any payment made by the employee for the accommodation or housing. <p>The determination of the value of a housing fringe benefit under subsection (2) is subject to the ceiling in subsection (3).</p> <ul style="list-style-type: none"> • In the case of furnished accommodation, the maximum quarterly value of the benefit is one-eighth of the emoluments paid to the employee for the quarter.

	<p><u>Example</u> An employer rents a furnished house for the benefit of an employee. The employer pays a monthly rent of \$600 for the house and the employee makes no contribution to the rent. The employee's emoluments for the quarter is \$12,500. Consequently, the employer has provided the employee with a housing fringe benefit. The value of the benefit under section 11(2) (b) for the quarter is \$1,800 ($\\600×3).</p> <p>However, the maximum value of the benefit for the quarter is limited to $\frac{1}{8}^{\text{th}}$ of the emoluments paid to the employee for the period (i.e. $\\$1,562 (\\$12,500 \div 8)$). Thus, the value of the benefit is limited to \$1,562.</p> <p>If the employee's emoluments for the quarter were \$25,000, the ceiling on the value of the benefit would be \$3,125 and, therefore, the total rent paid (\$1,800) is the value of the benefit for the quarter.</p> <ul style="list-style-type: none"> • In the case of unfurnished accommodation, the maximum quarterly value of the benefit is one-ninth of the emoluments paid to the employee for the quarter. <p>Section 11 (4) provides that, if the accommodation is standard quarters, the ceiling determined under section 11 (3) for a quarter is reduced by one-third.</p> <p><u>Example:</u> if, in the example above, the accommodation was standard quarters, the ceiling on the value of the benefit would be \$1,040 ($\\$1562 \times \frac{2}{3}$).</p>
<p>Loan Fringe Benefit (Section 12)</p>	<p>Section 12 provides that a loan provided by an employer to an employee is a loan fringe benefit. The value is the 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. It is reduced to the extent that the employee uses the loan funds to derive amounts included in total income. The "market lending rate" for a quarter is determined by the CEO in consultation with the Governor of the Reserve Bank of Fiji. In broad terms, the value of a loan fringe benefit is the difference between the interest that would have been paid if the loan was at market rates and the actual interest paid.</p> <p><u>Example1:</u> Bank provides Employee with a housing loan of \$500,000, at an interest rate of 5% pa. In the quarter, Employee pays Bank \$6,250 as interest. Assuming that the market interest rate for the quarter is 10% pa, the interest paid by Employee to the Bank for the quarter (\$6,250) is less than the interest that would have been paid if the loan were at the market rate (\$12,500). The difference (\$6,250) is the value of the loan fringe benefit provided by Bank to the Employee for the quarter. If the loan was at a 10% interest rate, the interest paid would equal the market interest rate and the value of the benefit would be zero.</p> <p><u>Example 2:</u> If, in the example above, Employee had used the loan funds to purchase a rental property, the value of the benefit will be reduced to zero under subsection (3). This is because, if the discounted interest were subject to FBT, Employee would have to be provided with a tax deduction for the discounted interest, otherwise there would be over-taxation in relation to the rental property. Rather than taxing the discounted interest of \$6,250 under the FBT to the employer and then providing Employee with a notional deduction for the \$6,250 discounted interest, the value of the fringe benefit is reduced by the part of the loan funds used to derive total income</p> <p>If Employee had used 50% of the loan funds to purchase a yacht for private use</p>

	<p>and 50% to purchase a rental property, the value of the fringe benefit is reduced by 50% ($\\$6,250/2 = \\$3,125$).</p>
<p>Meal and Refreshment Fringe Benefit (Section 13)</p>	<p>This section provides for the identification and valuation of a meal and refreshment fringe benefit. The value of a meal and refreshment fringe benefit is the 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.</p> <p>Note: 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 taken into account in determining the fringe benefits taxable amount.</p>
<p>Motor Vehicle Fringe Benefit (Section 14)</p> <p>(Refer to Appendix for valuation rates)</p>	<p>This section provides for the identification and valuation of a motor vehicle fringe benefit. The provision of a motor vehicle by an employer to an employee wholly or partly for the private use of the employee is a motor vehicle fringe benefit.</p> <ul style="list-style-type: none"> • The term "motor vehicle" is intended to cover, for example, a motor car (including a four wheel drive vehicle), utility van and motor bike. • Private use includes any use of the vehicle that is not wholly for the business purposes of the employer. • This applies when a motor vehicle is provided by an employer for the private purposes of an employee. • A motor vehicle that is garaged at or near an employee's residence or that is in the employee's custody or control while not performing his or her duties of employment would be regarded as provided, at least partly, for the private purposes of the employee. • If an employer places a prohibition on an employee's private use of a motor vehicle but that prohibition is not regularly enforced by the employer, the vehicle may be regarded as provided to an employee for private purposes. <p>The value of a motor vehicle fringe benefit is computed on a periodic basis by reference to statutory amounts based on the engine size of the vehicle. For high value vehicles (i.e. vehicles with a cost in excess of \$100,000), the statutory amount is increased by reference to the value of the vehicle.</p> <ul style="list-style-type: none"> • If the motor vehicle is provided only partly for the employee's private use, the value of the benefit is apportioned by reference to private use. • A motor vehicle is treated as used for private purposes on a day if it is actually so used or available for such use on that day. A motor vehicle used or available for use on a part of a day is treated as used or available for use for the whole of the day. • If a motor vehicle is not provided for the whole of a quarter, the value of the benefit computed under subsections (2) or (3) is based on the proportion of the quarter that the vehicle was provided wholly or partly for private use. <p><i>Example: Employer provides a car with an engine capacity of 1,800cc to Employee costing \$50,000. The car is provided wholly for personal use and, therefore, the provision of the car is a motor vehicle fringe benefit. The value of</i></p>

	<p><i>the benefit for a quarter is \$778.</i></p> <p><i>If for a quarter, Employee uses the car 50% of the time for work purposes and 50% of the time for private purpose, the value of the benefit for the quarter is \$389 (\$778 x 50%).</i></p> <p><i>If the car is used wholly for private purposes but is available only 45 days of the March quarter (90 days). The value of the benefit is \$389 (\$778 x 45/90).</i></p> <p><i>Suppose that the cost of the car was \$125,000 and the car was provided wholly for private use. The value of the benefit for a quarter is \$1,583 (\$958 + \$625 (((\$125,000 - \$100,000) x 2.5%)).</i></p>
<p>Private Expenditure Fringe Benefit (Section 15)</p>	<p>Section 15 provides that the payment of expenditure by an employer is a private expenditure fringe benefit to the extent that the expenditure is for the private benefit of an employee.</p> <p><i>Examples of expenditures incurred for the private benefit of an employee include the payment of the school fees of the employee’s children, the payment of utility expenses (such electricity, gas, phone and water) relating to the employee’s residence, the payment of non-work related medical expenses, the payment of medical insurance premiums of the employee, and the payment of life insurance premiums when the employee is the beneficiary under the policy.</i></p> <p>The value is apportioned if the expenditure incurred by an employer is partly for work purposes and partly for the private benefit of an employee.</p> <p>It is possible that some items of private expenditure may be covered by other specific categories of fringe benefit. Subsection (1) provides that expenditure does not give rise to a private expenditure fringe benefit if it gives rise to a fringe benefit under another section of Part III of the Decree (other than section 17 (residual fringe benefit)).</p>
<p>Property Fringe Benefit(Section 16)</p>	<p>Section 16 provides that the transfer of property or provision of services by an employer to an employee is a property fringe benefit. “Services” is defined in subsection (4) to include the use of property or the making available of any facility, such as a childcare or recreational facility (e.g. access to a gymnasium).</p> <p>There are two valuation rules:</p> <ul style="list-style-type: none"> • First, if the employer supplies the property or services to customers in the ordinary course of business (i.e. the employer trades in the property or services), the value of the benefit is the normal selling price of the goods or services. The value of the benefit is reduced by any amount paid by the employee for the property or services. • In any other case, the value of the benefit is the cost to the employer of acquiring the property or services provided to the employee. In both cases, the value of the benefit is reduced by any amount paid by the employee for the property or services. <p>Section 16 (2) is subject to Section (3), which provides a special rule in relation to subsidised air travel provided by an employer that is an airline operator, travel agent or</p>

	<p>tour operator. The value of the benefit is 40% of the standard economy fare for the particular flight.</p>
<p>Residual Fringe Benefit (Section 17)</p>	<p>Section 17 provides that any benefit provided by an employer to an employee not covered by one of the specific categories of fringe benefit is a residual fringe benefit. The value of a residual fringe benefit is the fair market value of the benefit provided (as determined under section 4) less any payment made by the employee to the employer for the benefit.</p> <p>Section 17 (3) identifies three benefits that are not treated as residual fringe benefits and, therefore, are not subject to FBT. This is because these benefits are taxed under the income tax. The benefits are –</p> <p>(a) An allowance related to private expenditure. This is included in the emoluments of an employee and taxed to the employee under the income tax.</p> <p>(b) 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.</p> <p><u>Note:</u></p> <ul style="list-style-type: none"> • <i>50% of employer’s statutory contribution and 100% of voluntary contributions for employees (or excess FNPF) is not a deductible expense for the employer under the income tax</i> • <i>Since employer FNPF contributions are not covered under the FBT, excess FNPF employee benefits continue to be taxed to the employee under the income tax.</i> <p>(c) A benefit provided under an employee share scheme as defined in section 21D of the Income Tax Act. This is taxed to the employee under the income tax.</p>

Appendix

Extract from FBT Decree

Motor Vehicle Fringe Benefit

14.—(1) A motor vehicle provided by an employer to an employee wholly or partly for the private use of the employee is a motor vehicle fringe benefit.

(2) Subject to subsections (3) and (4), the value of a motor vehicle fringe benefit for a quarter is as follows—

Motor vehicle engine capacity Value per quarter

ENGINE CAPACITY

VAT EXCLUSIVE FIGURE FOR EACH QUARTER

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

(3) Subject to subsection (4), if a motor vehicle is provided to an employee partly for private use and partly for use in employment, the value of the benefit is reduced by the proportion of the use of the motor vehicle in employment.

(4) If a motor vehicle referred to in subsection (2) or (3) is not provided for the whole of a quarter, the value of the benefit computed under subsection (2) or (3) for the quarter, as the case may be, is based on the proportion of the quarter that the vehicle was provided wholly or partly for private use.

(5) For the purposes of subsection (2), if the motor vehicle is leased by the employer, the cost of the vehicle is the fair market value of the vehicle at the commencement of the lease.

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