



DRAFT PRACTICE
STATEMENT No. 61/2017
“New”

SUBJECT	Fiji Revenue and Customs Service 2017 Income Tax Assessment for Resident Individuals
DATE OF EFFECT	1 January 2017
CONFIDENTIALITY STATUS	May be released to the public
LEGISLATIVE REFERENCES	Income Tax Act 2015 Income Tax (Rates of Tax and Levies) Regulations 2016 (Legal Notice No. 5/2016) Income Tax (Rates of Tax and Levies) (Amendments) Regulations 2017 (Legal Notice No. 59/2017)
PRACTICE CO-ORDINATOR	Deputy Director Revenue Management

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INTRODUCTION

1. The purpose of this Practice Statement is to explain how the income tax liability of resident individuals (employees and/or self-employed persons) for the tax year 2017 will be assessed. It is issued with the authority of the Chief Executive Officer (CEO) of the Fiji Revenue and Customs Service.
2. Individuals pay tax on taxable or chargeable income (gross income minus deductions) earned in January to December each year (calendar or tax year).
3. In the 2017/2018 National Budget Address, the Minister for Economy announced a change in the tax rates for resident individuals. The policy intention is to make the first \$30,000 of chargeable income tax free with effect from 1 August 2017.
4. This means that there will be two tax rates to calculate the tax payable for 2017.
5. Individuals employed in one part of the year only are not affected as in general, tax payable for any year is assessed by applying the tax rate prevailing at the time to chargeable income.
6. For those employed in both periods (full year or part year), adjustments must be made to ensure that a person does not pay more tax than what would have been paid if there was no change in the tax rates. To achieve this, a formula has been developed. It includes an accounting adjustment. Tax payable will be assessed in the normal manner (i.e. based on chargeable income) then apportioned.
7. The 2017 assessment rules can be summarized as follows:

	Employment period	Tax rates /apportionment rules
1	Period 1 (P1) - Individual employed in the period 1 January to 31 July (7 months or less)	<ul style="list-style-type: none"> ▪ Calculate tax payable on chargeable income using the tax rates for the period January to July (P1 tax rates) ▪ No apportionment of tax payable
2	Period 2 (P2) - Individual employed in the period 1 August to 31 December (5 months or less)	<ul style="list-style-type: none"> ▪ Calculate tax payable on chargeable income using the tax rates for the period August to December (P2 tax rates) ▪ No apportionment of tax payable
3	Both periods (P1 & P2) - Individual employed in both periods or partly employed in both periods 1 January to 31 December (12 months or less)	<ul style="list-style-type: none"> ▪ Calculate tax payable on chargeable income using both tax rates. ▪ Apportion the tax payable for each period respectively by the number of months that the tax rate applies, then add the results.

LEGISLATIVE BASIS

8. Section 8 of the Income Tax Act 2015 (ITA) provides for the imposition of income tax for each tax year, on every person who has chargeable income for the year.
9. This section also provides for the imposition of Social Responsibility Tax (SRT), a portion of which includes the Environment and Climate Adaptation Levy (ECAL). SRT applies on the chargeable income of individuals that exceed \$270,000.
10. Chargeable income is defined in Section 13 ITA as follows:

“The chargeable income of a person for a tax year is the gross income of the person for the year reduced by the total amount of deductions allowed to the person for the year”.

11. The rates of income tax and SRT are contained in the Income Tax (Rates of Tax and Levies) Regulations 2016 and Income Tax (Rates of Tax and Levies) (Amendments) Regulations 2017.

APPLICATION

12. Income tax payable for the 2017 tax year will be based on chargeable income. As there are two different tax rates for 2017, tax payable will be calculated as follows:
- one calculation for those employed in only one part of the year; and
 - two calculations for those employed in both parts of the year.
13. For individuals employed in one period only (either January - July (P1) or August - December (P2)), the respective tax rates apply.

Example 1 – Part Year employment in P1 with \$30,000 chargeable income

Mr. A was employed in the period 01/01/17 – 15/07/17 and earned \$30,000. The tax rates for the period January to July will be used to calculate tax payable.

$$\begin{aligned}
 \text{Tax payable} &= \$420 + [18\% \times (\$30,000 - \$22,000)] \\
 &= \$420 + 18\% \times \$8000 \\
 &= \$420 + \$1440 \\
 &= \underline{\underline{\$1860}}
 \end{aligned}$$

$$\begin{aligned}
 \text{Tax Benefit} &= \text{Tax payable if no change in tax rates} \textit{ minus} \textit{ income tax payable} \\
 &= \$1860 - \$1860 \\
 &= \underline{\underline{\$0}}
 \end{aligned}$$

Example 2 – Part Year employment in P2 with \$40,000 chargeable income

Mrs. B was employed from 15/08/17 to 31/12/17 and earned \$40,000. The tax rates for the period August to December will be used to calculate tax payable.

$$\begin{aligned} \text{Total Tax payable} &= [18\% \times (\$40,000 - \$30,000)] \\ &= 18\% \times \$10,000 \\ &= \underline{\$1,800} \end{aligned}$$

$$\begin{aligned} \text{Tax Benefit} &= \text{Tax payable if no change in tax rates} \textit{ minus} \textit{ income tax payable} \\ &= \$420 + [18\% \times (\$40,000 - \$22,000)] - \$1,800 \\ &= \$3,660 - \$1,800 \\ &= \underline{\$1,860} \end{aligned}$$

14. The chargeable income of a person employed in both periods (P1 & P2) is the total income earned in the tax year. This also applies to those partly employed in both periods. The steps are as follows:

Step 1 – Calculate chargeable income

$$\text{Chargeable income} = \text{Gross salary/ Gross income less allowable deductions}$$

Step 2 – Calculate tax payable for each period

$$\text{P1 tax} = \text{income tax on chargeable income using P1 tax rates}$$

$$\text{P2 tax} = \text{income tax on chargeable income using P2 tax rates}$$

Step 3 – Apportion the results in Step 2 to find the adjusted tax for each period

$$\text{Adjusted P1 tax} = \text{P1 tax} \times 7/12$$

$$\text{Adjusted P2 tax} = \text{P2 tax} \times 5/12$$

Step 4 – Add the results in Step 3 to find the total tax payable for the year

$$\text{Total tax payable} = \text{Adjusted P1 tax} + \text{Adjusted P2 tax}$$

Example 3: Full year employment - \$30,000 gross salary

- Mr X was employed in Yco Ltd from 01/01/17 to 31/12/17.
- Employment income for P1 was \$17,500
- Employment income for P2 was \$12,500

The formula will be used to calculate tax payable.

Step 1 – Calculate chargeable income

$$\begin{aligned} \text{Chargeable Income} &= \text{P1 Income} + \text{P2 Income} \\ &= \$17,500 + \$12,500 \\ &= \underline{\$30,000} \end{aligned}$$

Step 2 – Calculate tax payable for each period

P1 tax	P2 tax
= Tax on chargeable income using P1 tax rates	= Tax on chargeable income using P2 tax rates
= Tax on \$30,000	= Tax on \$30,000
= \$420 + [18% x (\$30,000 - \$22,000)]	= <u>\$0</u>
= \$420 + 18% x \$8000	
= \$420 + \$1,440	
= <u>\$1,860</u>	

Step 3 – Apportion the results in Step 2

Adjusted P1 Tax = P1 tax x 7/12	Adjusted P2 Tax = P2 tax x 5/12
= \$1,860 x 7/12	= \$0 x 5/12
= <u>\$1,085</u>	= <u>\$0</u>

Step 4 – Add the results in Step 3

$$\begin{aligned} \text{Total Tax Payable} &= \text{Adjusted P1 tax} + \text{Adjusted P2 tax} \\ &= \$1,085 + \$0 \\ &= \underline{\$1,085} \end{aligned}$$

$$\begin{aligned} \text{Tax Benefit} &= \text{Tax payable if no change in tax rates} \text{ minus total tax payable} \\ &= \$420 + [18\% \times (\$30,000 - \$22,000)] - \$1,085 \\ &= \$1,860 - \$1,085 \\ &= \underline{\$775} \end{aligned}$$

Example 4: Full year employment - Sole trader with \$56,000 chargeable income

- Mr. J operates a sole trader business
- He operated from 01/01/17 to 31/12/17.
- His net profit for P1 was \$21,000 and P2 was \$35,000.

The formula will be used to calculate tax payable.

Step 1 – Calculate chargeable income

$$\begin{aligned} \text{Chargeable Income} &= \text{P1 Income} + \text{P2 Income} \\ &= \$21,000 + \$35,000 \\ &= \underline{\$56,000} \end{aligned}$$

Step 2 – Calculate tax payable for each period

P1 tax	P2 tax
= Tax on chargeable income using P1 tax rates	= Tax on chargeable income using P2 tax rates
= Tax on \$56,000	= Tax on \$56,000
= \$5,460 + [20% x (\$56,000 - \$50,000)]	= \$3,600 + [20% x (\$56,000 - \$50,000)]
= \$5,460 + \$1,200	= \$3,600 + \$1,200
= <u>\$6,660</u>	= <u>\$4,800</u>

Step 3 – Apportion the results in Step 2

Adjusted P1 Tax = P1 tax x 7/12 = \$6,660 x 7/12 = <u>\$3,885</u>	Adjusted P2 Tax = P2 tax x 5/12 = \$4,800 x 5/12 = <u>\$2,000</u>
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Step 4 – Add the results in Step 3

$$\begin{aligned} \text{Total Tax Payable} &= \text{Adjusted P1 tax} + \text{Adjusted P2 tax} \\ &= \$3,885 + \$2,000 \\ &= \underline{\$5,885} \end{aligned}$$

$$\begin{aligned} \text{Tax Benefit} &= \text{Tax payable if no change in tax rates} \textit{ minus} \textit{ total tax payable} \\ &= \$5,460 + [20\% \times (\$56,000 - \$50,000)] - \$5,885 \\ &= \$6,660 - \$5,885 \\ &= \underline{\$775} \end{aligned}$$

Example 5 – Full year employment with \$285,000 chargeable income

- Mr. D was employed in BCo Ltd from 01/01/17 - 31/12/17.
- Employment income for P1 was \$157,500 and P2 was \$112,500.
- Mr. D also operates a sole trader business.
- Net profit for P1 was \$8,750 and P2 was \$6,250.

The formula will be used to calculate tax payable.

Step 1 – Calculate chargeable income

$ \begin{aligned} \text{Chargeable income} &= \text{P1 Income} && + \text{P2 Income} \\ &= (\$157,500 + \$8,750) && + (\$112,500 + \$6,250) \\ &= \$166,250 && + \$118,750 \\ &= \underline{\$285,000} \end{aligned} $

Step 2 – Calculate tax payable for each period

P1 tax	P2 tax
$= \text{Tax on chargeable income using P1 tax rates}$	$= \text{Tax on chargeable income using P2 tax rates}$
$= \text{Tax on } \$285,000$	$= \text{Tax on } \$285,000$
$= \$49,460 + [20\% \times (\$285,000 - \$270,000)]$	$= \$47,600 + [20\% \times (\$285,000 - \$270,000)]$
$= \$49,460 + \$3,000$	$= \$47,600 + \$3,000$
$= \underline{\$52,460}$	$= \underline{\$50,600}$

Step 3 – Apportion the results in Step 2

$ \begin{aligned} \text{Adjusted P1 Tax} &= \text{P1 tax} \times 7/12 \\ &= \$52,460 \times 7/12 \\ &= \underline{\$30,601.67} \end{aligned} $	$ \begin{aligned} \text{Adjusted P2 Tax} &= \text{P2 tax} \times 5/12 \\ &= \$50,600 \times 5/12 \\ &= \underline{\$21,083.33} \end{aligned} $
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Step 4 – Add the results in Step 3

$ \begin{aligned} \text{Total income tax payable} &= \text{Adjusted P1 Tax} && + \text{Adjusted P2 Tax} \\ &= \$30,601.67 && + \$21,083.33 \\ &= \underline{\$51,685} \end{aligned} $

$$\begin{aligned}
 \text{Tax Benefit} &= \text{Tax payable if no change in tax rates} \text{ minus total tax payable} \\
 &= \$49,460 + [20\% \times (\$285,000 - \$270,000)] - \$51,685 \\
 &= \$52,460 - \$51,685 \\
 &= \underline{\$775}
 \end{aligned}$$

Additional Steps to calculate SRT

Step 5 - SRT Calculation using both tax tables

P1 SRT	P2 SRT
= Tax on chargeable income using P1 tax rates	= Tax on chargeable income using P2 tax rates
= Tax on \$285,000	= Tax on \$285,000
= [(\$285,000-\$270,000) x 23%] x 7/12	= [(285,000-\$270,000) x 13%] x 5/12
= <u>\$2012.50</u>	= <u>\$812.50</u>

Step 6 - Add the tax for both periods

$$\begin{aligned}
 \text{Total SRT Payable} &= \text{P1 Tax} + \text{P2 Tax} \\
 &= \$2012.50 + \$812.50 \\
 &= \underline{\underline{\$2,825}}
 \end{aligned}$$

Step 7 - ECAL Calculation using P2 tax table

P1 ECAL	P2 ECAL
N/A	= Tax on chargeable income using P2 tax rates
	= Tax on \$285,000
	= (285,000 - \$270,000) x 10% x (5/12)
	= <u>\$625.00</u>

Step 8 - Calculate total tax payable

$$\begin{aligned}
 \text{Total Tax Payable} &= \text{Income Tax} + \text{SRT} + \text{ECAL} \\
 &= \$51,685 + \$2,825 + \$625 \\
 &= \underline{\underline{\$55,135}}
 \end{aligned}$$

Example 6: Partly employed in both periods - chargeable income \$29,000

- Mr. H was employed in ZCo Ltd from 01/01/17 to 31/10/17.
- Employment income for P1 was \$21,000 and P2 was \$8,000.

The formula will be used to calculate tax payable.

Step 1 – Calculate chargeable income

$$\begin{aligned} \text{Chargeable income} &= \text{P1 Income} + \text{P2 Income} \\ &= \$21,000 + \$8,000 \\ &= \underline{\$29,000} \end{aligned}$$

Step 2 – Calculate tax payable for each period

P1 Tax	P2 Tax
= Tax on chargeable income using P1 tax rates	= Tax on chargeable income using P2 tax rates
= Tax on \$29,000	= Tax on \$29,000
= \$420 + [18% x (\$29,000 - \$22,000)]	= \$0
= \$420 + \$1,260	
= <u>\$1,680</u>	

Step 3 – Apportion the results in Step 2

Adjusted P1 Tax = P1 tax x 7/12	Adjusted P2 Tax = P2 tax x 5/12
= \$1,680 x 7/12	= \$0 x 5/12
= <u>\$980</u>	= <u>\$0</u>

Step 4 – Add the results in Step 3

$$\begin{aligned} \text{Total Tax Payable} &= \text{Adjusted P1 Tax} + \text{Adjusted P2 Tax} \\ &= \$980 + \$0 \\ &= \underline{\$980} \end{aligned}$$

$$\begin{aligned} \text{Tax Benefit} &= \text{Tax payable if no change in tax rates} \text{ minus total tax payable} \\ &= \$420 + [18\% \times (\$29,000 - \$22,000)] - \$980 \\ &= \$1,680 - \$980 \\ &= \underline{\$700} \end{aligned}$$

Example 7: Partly employed in both periods, chargeable income \$48,000

- Mr. K was self-employed from 01/01/17 to 31/10/17.
- His employment income for P1 was \$28,000 and P2 was \$20,000.

The formula will be used to calculate tax payable.

Step 1 – Calculate chargeable income

$$\begin{aligned} \text{Chargeable income} &= \text{P1 Income} + \text{P2 Income} \\ &= \$28,000 + \$20,000 \\ &= \underline{\$48,000} \end{aligned}$$

Step 2 – Calculate tax payable for each period

P1 tax	P2 tax
= Tax on chargeable income using P1 tax rates	= Tax on chargeable income using P2 tax rates
= Tax on \$48,000	= Tax on \$48,000
= \$420 + [18% x (\$48,000 - \$22,000)]	= 18% x (\$48,000 - \$30,000)
= \$420 + \$4,680	= <u>\$3,240</u>
= <u>\$5,100</u>	

Step 3 – Apportion the results in Step 2

Adjusted P1 Tax = P1 tax x 7/12	Adjusted P2 Tax = P2 tax x 5/12
= \$5,100 x 7/12	= \$3,240 x 5/12
= <u>\$2,975</u>	= <u>\$1,350</u>

Step 4 – Add the results in Step 3

Total Tax Payable = Adjusted P1 Tax + Adjusted P2 Tax
= \$2,975 + \$1,350
= <u>\$4,325</u>

$$\begin{aligned} \text{Tax Benefit} &= \text{Tax payable if no change in tax rates} \text{ minus income tax payable} \\ &= \$420 + [18\% \times (\$48,000 - \$22,000)] - \$4,325 \\ &= \$5,100 - \$4,325 \\ &= \underline{\$775} \end{aligned}$$

PROCESS

15. Resident individuals who are employees are not required to submit income tax returns unless they have two or more employments. They may write to us if they disagree with the employer's tax deductions.
16. A resident individual who is self-employed will be required to lodge an income tax return (Form B) and declare all taxable income. Tax assessors will determine the tax payable for 2017.
17. For all individuals who have lodged a tax return, a notice of assessment will be issued. A statement of tax account will be issued with the notice of assessment when the account balance is different from the assessment result.
18. Further information can be obtained by contacting any of our Customer Service Centers Fiji wide or email to info@frcs.org.fj.

ATTACHMENT 1

Period 1 – Tax Rates

Income Tax (Rates of Tax and Levies) Regulations 2016 (Legal Notice No. 5/2016)

Chargeable Income (\$)	Income Tax Payable (\$)	Social Responsibility Tax (\$)
0-16000	Nil	Nil
16,001 – 22,000	7% of excess over 16,000	Nil
22,001 – 50,000	420 + 18% of excess over 22,000	Nil
50,001-270,000	5,460 + 20% of excess over 50,000	Nil
270,001-300,000	49,460 + 20% of excess over 270,000	23% of excess over 270,000
300,001-350,000	55,460 + 20% of excess over 300,000	6,900 + 24% of excess over 300,000
350,001-400,000	65,460 + 20% of excess over 350,000	18,900 + 25% of excess over 350,000
400,001-450,000	75,460 + 20% of excess over 400,000	31,400 + 26% of excess over 400,000
450,001-500,000	85,460 + 20% of excess over 450,000	44,400 + 27% of excess over 450,000
500,001-1,00,000	95,460 + 20% of excess over 500,000	57,900 + 28% of excess over 500,000
1,000,001 +	195,460 + 20% of excess over 1,000,000	197,900 + 29% of excess over 1,000,000

Period 2 – Tax Rates

Income Tax (Rates of Tax and Levies) (Amendments) Regulations 2017 (Legal Notice No. 59/2017)

Chargeable Income (\$)	Income Tax Payable (\$)	Social Responsibility Tax (Inclusive of the Environment & Climate Adaptation Levy) (\$)
0 - 30,000	Nil	Nil
30,001 - 50,000	18% of excess over \$30,000	Nil
50,001 - 270,000	3,600 + 20% of excess over 50,000	Nil
270,001 - 300,000	47,600 + 20% of excess over 270,000	23% of excess over 270,000
300,001 - 350,000	53,600 + 20% of excess over 300,000	6,900 + 24% of excess over 300,000
350,001 - 400,000	63,600 + 20% of excess over 350,000	18,900 + 25% of excess over 350,000
400,001 - 450,000	73,600 + 20% of excess over 400,000	31,400 + 26% of excess over 400,000
450,001 - 500,000	83,600 + 20% of excess over 450,000	44,400 + 27% of excess over 450,000
500,001 - 1,000,000	93,600 + 20% of excess over 500,000	57,900 + 28% of excess over 500,000
1,000,001 +	193,600 + 20% of excess over 1,000,000	197,900 + 29% of excess over 1,000,000