



**PRACTICE
STATEMENT No. 8/2016**

SUBJECT	FIJI REVENUE & CUSTOMS AUTHORITY FRINGE BENEFIT TAX
DATE OF EFFECT	1 January 2016
CONFIDENTIALITY STATUS	May be released to the public
LEGISLATIVE REFERENCES	<i>Income Tax Act 2015</i> <i>Tax Administration Decree 2009</i>
PRACTICE CO-ORDINATOR	National Manager Revenue Collection

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INTRODUCTION

1. The purpose of this Practice Statement is to provide guidance on the application of the Fringe Benefit Tax (FBT). 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.
3. To be a fringe benefit it must be provided by the employer or an associate of the employer or a third party arranger to an employee or an associate of the employee.
4. Employee means an individual engaged in employment and this includes other office holders such as directors, managers and associates, including relatives of the employees. They are treated as employees for tax purposes therefore FBT is imposed on an employer when benefits are paid to such persons.
5. The tax payable is computed by applying the tax rate (20%) to the employer's fringe benefit taxable amount for a quarter. The value of a fringe benefit is the fair market value of the benefit at the time it is provided to the employee.
6. Employers must pay the FBT for each quarter on or before the end of the month following the end of each quarter. If the last day of the month falls on a weekend or public holiday, the due date for payment is the last working day of the month.

Quarter	Period	FBT return and payment due date
1 st	January - March	30 th April of current year
2 nd	April - June	31 st July of current year
3 rd	July - September	31 st October of current year
4 th	October - December	31 st January of following year

7. 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. As the FBT is a method for taxing the employee 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 unless there is a specific exempting provision.

9. 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.
10. 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.

LEGISLATIVE BASIS

11. FBT at the prescribed rate is imposed for each quarter on an employer who has a fringe benefit taxable amount by Section 69 of the *Income Tax Act 2015*. The FBT formula is set out in Section 70. Guidance on the application is given in paragraphs 20 and 21.
12. Section 70 (2) identifies three classes of fringe benefit of which the value is not included in the fringe benefits taxable amount of an employer -
 - (1) exempt fringe benefits – this is set out in section 71 and explanatory notes are given in paragraph 22 of this guide;
 - (2) a fringe benefit 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 non-resident employer).

Under section 70 (4), 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.

13. Sections 73-81 provides for the identification of eight specific categories of fringe benefits and one residual category. Further guidance is given in paragraph 23.
14. Under section 72 (2) certain benefits will not be subject to FBT. A benefit is not a fringe benefit if -
 - it is a contribution by an employer for the benefit of an employee to the Fiji National Provident Fund or any pension /retirement fund;
 - it is included in employment income e.g. an allowance related to private expenditure (this would be included in the employment income of an employee and taxed to the employee under the income tax);
 - it is an allowance that is not included in employment income e.g. travel allowance;
 - it is not provided in respect of employment.

15. Section 72 (3) 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 employment income. The purpose of this subsection is to exclude benefits that are work-related benefits.
16. 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. If the employee acquired the benefit him or herself, it 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 employment income.
17. The words, 'to the extent' mean that that there must be apportionment in cases where 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 1: 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 employment income. 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.

Example 2: An employer provides an employee with a mobile phone for work purposes and pays for the call charges. The provision of the mobile phone is a fringe benefit if the employee is not required to account for private calls. If no records are kept 30% of the charges paid by the employer will be treated as private and is subject to FBT.

18. Section 72 (4) 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.
19. The filing, payment, record keeping and collection by employers that are partnerships and trusts are covered in sections 131 to 134 of the Act.

APPLICATION

Fringe Benefit Taxable Amount

20. FBT is calculated on the following basis

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

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 the Regulations.

21. 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 is the taxable amount that is subject to tax and the tax rate is currently 20%.

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

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

FBT taxable amount = \$100,000

Step 2: \$100,000 x 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.*

Exempt Fringe Benefit

22. The following are exempt fringe benefits for FBT purposes –

Fringe Benefits exempt from FBT (Section 71)	Explanatory notes
<i>“(a) a fringe benefit the value of which is exempt income of the employee;”</i>	An example of a fringe benefit that is exempt income is a scholarship provided by an employer and which is exempt income under the <i>Income Tax (Exempt Income) Regulations 2016</i> . The scholarship may be a private expenditure fringe benefit.
<i>“(b) a fringe benefit provided to an employee in respect of employment if the employment income arising from the employment is exempt income;”</i>	Example - fringe benefits provided to members of the American Peace Corp in respect of employment giving to rise to income exempt under the <i>Income Tax (Exempt Income) Regulations 2016</i> .
<i>“(c) a fringe benefit the value of which, after taking into account the frequency with which similar benefits are provided by the employer, is so small as to make accounting for it unreasonable or administratively impracticable;”</i>	In determining whether it is unreasonable or impracticable to account for a fringe benefit, the frequency with which the fringe benefit is provided to the particular employee and to other employees must be considered. 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). 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>“(d) 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</i>	"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"</i> is intended to cover, for example, an eating facility operated by an

<p><i>employees and which is available to all non-casual employees on equal terms;"</i></p>	<p>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 <i>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>
<p><i>"(e) the provision of accommodation or housing to a non-managerial employee in a remote* area if - (i) the employee's usual place of employment is in the remote area; and (ii) it is necessary for the employer to provide the accommodation or housing to the employee in the remote area because - (A) the nature of the employer's business is such that the employee is likely to move frequently from one residential location to another; or (B) there is insufficient suitable residential accommodation available in the remote area;"</i></p>	<p>This applies to the provision of housing to non-managerial employees by employers provided the conditions relating to 'remoteness' are met.</p> <p>Example 1 - it is customary in the employer's industry to provide accommodation or housing to employees working in a remote area (such as hotels on remote islands or tourist boats).</p> <p>Example 2 - relevant to employees working at multiple mine sites may change their residential location</p> <p>* "remote area" is defined in section 2 and means an area that is fifteen or more kilometers from a rural local authority, town, or city. "Town" is intended to have its ordinary meaning, namely a place of human settlement that is larger than a village. For FBT purposes, the definition is extended to include a vessel (such as a yacht boat or ship) when not berthed. (Section 71 (2)).</p>
<p><i>"(f) a fringe benefit provided to an employee of a religious body registered under the Religious Bodies</i></p>	<p>When an employer who is a registered religious body provides an employee with fringe benefits, the value is exempt from FBT.</p>

<i>Registration Act (Cap 68)."</i>	
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Taxable Fringe Benefits

23. The specific categories of fringe benefits that are subject to the FBT are tabled below.

1. Debt Waiver Fringe Benefit (Section 73)	<p>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.</i></p> <p><i>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>
2. Household Personnel Fringe (Section 74)	<p>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 amount 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>
3. Housing Fringe Benefit (Section 75)	<p>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.</p> <p>Section 75 (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

	<p>the quarter. The fair market rent is determined under section 5 of the <i>Act</i>.</p> <ul style="list-style-type: none"> ▪ 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>Section 75 (3) provides that accommodation provided by employers in the hotel industry for its executive staff is subject to FBT even if the hotel is located in a remote area.</p> <p>“Executive staff” is not defined in the <i>Act</i>, therefore for the hotel industry, this will apply to any employee that holds a managerial position that has administrative or supervisory authority e.g. executive chef, financial controller, human resource manager, executive house keeper. Hoteliers may write to the Commissioner for a determination.</p> <p><i>(Note: Remote area housing may be an exempt fringe benefit under section 71(e) ; i.e. while exempt remote area housing is still a fringe benefit, the value of the benefit is not taken into account in determining the employer’s fringe benefits taxable amount).</i></p>
<p>4.Discounted Interest Loan Fringe Benefit (Section 76)</p> <p>Year Market Rate (%)</p> <p>2016 – 8.11</p> <p>2015 - 7.84</p> <p>2014 - 7.84</p> <p>2013 - 8.04</p> <p>2012 - 8.29</p>	<p>A loan provided by an employer to an employee with discounted interest rates is a discounted interest loan fringe benefit.</p> <p>In broad terms, the value of a discounted interest loan fringe benefit is the difference between the interest that would have been paid if the loan was at the market lending rate and the actual interest paid based on the employer’s lending rate.</p> <p>For FBT purposes , the value of a discounted interest loan fringe benefit for a quarter is the difference between the interest that would have been paid if the loan was at the ‘market lending rate’ for the quarter determined by the CEO and the actual interest paid based on the employer’s lending rate.</p> <p>The ‘market lending rate’ for FBT purposes for a quarter is determined by the CEO in consultation with the Governor of the Reserve Bank of Fiji.</p>

	<p>Note – the ‘market lending rate’ for FBT purposes is a fixed rate and applies to all quarters in a calendar year</p> <p><i>Example 1: In 2016, employer loans employee \$500,000, at an interest rate of 5% per annum. In the second quarter of 2016, employee pays employer \$6,250 as interest under the loan.</i></p> <p><i>In 2016, the market lending rate for a quarter for FBT purposes is 8.11%, therefore the interest paid by the employee (\$6,250) is less than the interest that would have been paid if the loan were at the FBT market lending rate (\$10,138).</i></p> <p><i>The difference (\$3,888) is the value of the discounted loan fringe benefit for the second quarter.</i></p> <p><i>If the loan was at an 8.11% interest rate, the interest paid would equal the amount paid at the FBT market lending rate and the value of the benefit would be zero.</i></p>
<p>5.Meal and Refreshment Fringe Benefit (Section 77)</p>	<p>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: <i>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 71(d). While such a benefit is still a fringe benefit, the value of the benefit is not taken into account in determining the fringe benefits taxable amount.</i></p>
<p>6.Motor Vehicle Fringe Benefit (Section 78))</p> <p>The valuation rates are given in the Attachment to this guide</p>	<p>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. (Section 78 (1)) E.g. 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.</p> <p>The value of a motor vehicle fringe benefit is computed by reference to statutory amounts based on the engine size of the vehicle or value. (section 78 (2))</p> <p>Where a motor vehicle is provided to an employee to use for both private and work purposes, the value of the benefit is reduced by 50%.</p>

If a motor vehicle is not provided for the whole of a quarter, the value of the benefit computed under Sections 75 (3) and (4) is based on the proportion of the quarter that the vehicle was provided wholly or partly for private use.

The following is a guide-

Employer provides employee with a car wholly for private use

Example 1: Employer provides a car (costing \$50,000 with an engine capacity of 1,800cc) to employee. The car is provided wholly for personal use and, therefore, the provision of the car is a motor vehicle fringe benefit. The value of the benefit for a quarter is \$778.

Example 2: Same details as above and the employee used the car for work purposes as well. The value of the benefit for the quarter is \$778 as the car is given wholly for personal use.

Example 3: Same details as above and the car was available for only two months in the last quarter. The value of the benefit for the quarter is apportioned. $\$778 \times 2/3 = \519

Example 4: 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 ($\$958 + \$625 ((\$125,000 - \$100,000) \times 2.5\%)$).

Employer provides employee with a car partly for private use and partly for use in employment

Example 5: Employer provides a car (costing \$50,000 with an engine capacity of 1,800cc) to employee. The car is provided partly for private use therefore, the provision of the car is a motor vehicle fringe benefit. The value of the benefit for a quarter is \$389 ($\$778 \times 50\%$).

Example 6: If for a quarter, employee uses the car 90% of the time for work purposes and 10% of the time for private purpose, the value of the benefit for the quarter is \$389 ($\$778 \times 50\%$). Once an employee is granted the benefit of private use, the value for a quarter is fixed at 50% of the FBT value for the quarter

	<p><i>Example 7: Same details as above and the vehicle was available for private use only in the last two months of the last quarter. The value of the benefit for the quarter is apportioned. $\\$778 \times 2/3 = \\519</i></p> <p><u>Indicators of private use</u></p> <ul style="list-style-type: none"> ▪ 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 the motor vehicle is provided only partly for the employee's private use, the value of the benefit is apportioned by 50% ▪ 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. ▪ 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.
<p>7.Private Expenditure Fringe Benefit (Section 79)</p>	<p>The payment of expenditure by an employer is a private expenditure fringe benefit if it was incurred for the private benefit of an employee.</p> <p><i>Examples - 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. If so, a benefit will not be subject to a private expenditure fringe benefit if it gives rise to a fringe benefit under another section other than the residual fringe benefit.</p>

<p>8.Property Fringe Benefit(Section 80)</p>	<p>The transfer of property or provision of services by an employer to an employee is a property fringe benefit. Services is defined and includes the use of property or the making available of any facility (e.g. access to a gymnasium). There are two valuation rules:</p> <p>(1) 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.</p> <p>(2) 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> <p>For subsidised air travel provided by an employer that is an airline operator, travel agent or tour operator, the value of the benefit is 40% of the standard economy fare for the particular flight.</p>
<p>9.Residual Fringe Benefit (Section 81)</p>	<p>Section 81 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 less any payment made by the employee to the employer for the benefit.</p>

PROCESS

- 24. Employers that provide non-cash fringe benefits will account for FBT and will be required to complete a FBT registration form. For new businesses, a person should first obtain a Tax Identification Number and register as an employer within 30 days before the commencement of the business. The registration forms are available on our website www.frca.org.fj and Customer Service Centers Fiji wide.
- 25. A FBT return must be lodged together with the payment on or before the due dates for lodgement/payment at any of our offices Fiji wide.
- 26. Further information on the responsibilities of employers are available on our website or can be obtained by writing to tepu@frca.org.fj

27. The laws relating to record keeping requirements and imposition of penalties in the Tax Administration Decree, 2009 applies.

ATTACHMENT

Extract from Income Tax Act 2015

Motor Vehicle Fringe Benefit

78.(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—

<i>Motor vehicle engine capacity Value per quarter</i> Under 1,800cc	\$656
1,800cc and < 2,000cc	\$778
2,000cc and above	\$958
Irrespective of engine capacity, if the cost of the vehicle exceeds \$100,000	\$958 plus 2.5% of the excess of the cost over \$100,000