



PRACTICE STATEMENT No 15 /2016

SUBJECT	FIJI REVENUE & CUSTOMS AUTHORITY CREDIT CARD LEVY
DATE OF EFFECT	1 st January 2016
CONFIDENTIALITY STATUS	May be released to the public
LEGISLATIVE REFERENCE	Sections 99, 135 (2), 136 and 137, Income Tax Act 2015 Income Tax (Rates of Tax and Levies) Regulations 2016 (Legal Notice No. 5 of 2016) Tax Administration Decree 2009
PRACTICE COORDINATOR	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 Credit Card Levy. It is issued with the authority of the Chief Executive Officer (CEO) of Fiji Revenue & Customs Authority (FRCA).
2. The Credit Card Levy (CCL) is imposed on the holder of a bank credit card. It is computed by applying the prescribed rate (3%), to the debit balance remaining unpaid at the end of the due date for payment in a billing cycle. The amount owing refers to the overdue amount plus the bank's administrative charges such as fees and interest penalty for late payment at the end of a billing cycle.
3. The bank providing the credit card is liable for the Levy and must file a CCL return and pay the tax within fifteen days after the end of the month in which the tax was due.

LEGISLATIVE BASIS

4. The CCL is imposed on the holder of the bank credit card under Section 99 of the Income Tax Act 2015. It states -

“99.—(1) Subject to this Act, a levy to be known as the “Credit Card Levy” is imposed for each monthly billing cycle at the rate specified in Schedule 2 on the holder of a bank credit card.

(2) The Credit Card Levy imposed under subsection (1) for a monthly billing cycle is computed by applying the rate specified in Schedule 2 to the debit balance at the end of the day specified as the due date for payment for the monthly billing cycle of the holder of the bank credit card including interest and other charges.

(3) The bank providing the credit card on which the Credit Card Levy is imposed is liable to pay the levy on behalf of the holder of the bank credit card.”

5. Section 135 (2) which provides for the filing of CCL returns states :

“A bank liable for the Credit Card Levy must file a Credit Card Levy return within 15 days following the end of each Calendar month.”

6. Section 136 sets out the due dates for lodgment and payment of the tax

“The ...Credit Card Levy... payable by a person for a Calendar month is due on the date that the ... Credit Card Levy return... for the month is due.”

7. Section 137 covers the record-keeping arrangements

“A person liable for the ...Credit Card Levy...must keep such accounts, documents and records to enable the computation of the amount of levy payable.”

8. The provisions of the Tax Administration Decree 2009 relating to the lodgment of returns, collection and payment of tax, requests for extension of time to lodge /pay, requests for review of assessment/penalties and other general issues applies to the collection of CCL.

ADMINISTRATIVE PENALTIES

9. The following administrative penalties apply -

- (i) Late Lodgment Penalty - 20% of the tax payable
- (ii) Late Payment Penalty - if the CCL remains unpaid by the due date, a penalty of 25% will apply on the amount unpaid.
- (iii) Another administrative penalty of 5% is imposed under section 44 (3) on a case by case basis on the amount of unpaid tax applicable for every defaulting month or day respectively.

EXAMPLES

10. Example 1 - Mr. H has a credit card limit of \$10,000. He uses his X Bank credit card to pay for bills and shopping for the month of March 2016 for a total amount of \$1,000. Mr. H paid \$900.00 to X Bank for his X Bank Credit card charges in March 2016. For the month of March, Mr. H has a X Bank Credit Card outstanding balance of:

	Bill for March 2016
<i>Facility used (\$1,000-\$900)</i>	\$100
<i>Add X Bank Interest</i>	\$2
<i>Add Other X Bank Charges</i>	<u>\$8</u>
<i>Equals Total Outstanding Balance</i>	<u>\$110</u>

Credit Card Levy (3%) = \$110 * 0.03 = \$3.30

Therefore, X Bank will have to lodge the March 2016 Credit Card Levy Return with the Credit Card Levy payment of \$3.30 to FRCA on or before the 15th of April 2016.

11. Example 2: David has a credit card limit of \$2000 with Y Bank, and in May 2016, he used his credit card to pay for personal expenses for a total amount of \$800. Bank Interest and other Charges is \$80.

	Bill for May 2016
<i>Facility used</i>	\$800
<i>Add Y Bank Interest/Charges</i>	<u>\$80</u>
<i>Equals Total Outstanding Balance</i>	<u>\$880</u>

$$\text{Credit Card Levy (3\%)} = \$880 * 0.03 = \quad \quad \quad \underline{\underline{\$26.40}}$$

Y Bank failed to lodge and pay return by the 15th of June 2016.

$$\text{Late Lodgment Penalty (LLP) is 20\% of tax payable} \quad \quad \quad = 20/100 * \$26.40 = \underline{\underline{\$5.28}}$$

$$\text{Late Payment Penalty (LPP) is 25\% on the amount of unpaid tax} = 25/100 * \$26.40 = \underline{\underline{\$6.60}}$$

Therefore, tax payable:

$$\begin{aligned} &= \text{Levy Payable} + \text{LLP} + \text{LPP} \\ &= \$26.40 + \$5.28 + \$6.60 \\ &= \underline{\underline{\$38.28}} \end{aligned}$$

Note that bank will be liable for the penalties of \$11.88.

End of PS

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