



**PRACTICE
STATEMENT**

No. 21/2016

SUBJECT	FIJI REVENUE & CUSTOMS AUTHORITY THIRD PARTY INSURANCE LEVY
DATE OF EFFECT	1 st January 2016
CONFIDENTIALITY STATUS	May be released to the public
LEGISLATIVE REFERENCE	Sections 100, 135 (3), 136 & 137 of Income Tax Act 2015 Income Tax (Rates of Tax and Levies) Regulations 2016 [Legal Notice No. 5] Tax Administration Decree (TAD) 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 Third Party Insurance Levy (TPIL). It is issued with the authority of the Chief Executive Officer (CEO) of Fiji Revenue & Customs Authority (FRCA).
2. The TPIL is imposed on an insurance company and is computed by applying the prescribed rate (20%) to the total third party insurance premiums collected each month.
3. The TPIL applies on the insurance premium only. It does not apply on the amount of any taxes that may be included.
4. The insurance company is liable for the TPIL and must file a TPIL return and pay the tax due within fifteen days after the end of the month in which the tax was due.

LEGISLATIVE BASIS

5. The TPIL is imposed on an insurance company under section 100 of the Income Tax Act 2015. It states-

“100.—(1) Subject to this Act, a levy to be known as the “Third Party Insurance Levy” is imposed for a Calendar month at the rate prescribed by Regulations made under this Act on an insurance company.

(2) The Third Party Insurance Levy imposed under subsection (1) for a Calendar month is computed by applying the rate prescribed by Regulations made under this Act to the total third party insurance premiums collected by the insurance company during the month.”

6. Section 135 (3) which provides for the filing of TPIL returns states -

‘An insurance company liable for the Third Party Insurance Levy must file a Third Party Insurance Levy return within 15 days after the end of each Calendar month.’

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

‘The... Third party Insurance Levy payable by a person for a Calendar month is due on the date that the... Third Party Insurance Levy return... for the month is due.’

8. Section 137 covers the record keeping requirements

‘A person liable for the... Third Party Insurance Levy must keep such accounts, documents and records to enable the computation of the amount of levy payable.’

9. 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 TPIL.

ADMINISTRATIVE PENALTIES

10. The following administrative penalties apply –
- i. Late or incorrect return penalty - 20% of the TPIL payable
 - ii. Late payment penalty - if the TPIL remains unpaid by the due date, a penalty of 25% will be 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

11. **Example 1:** *Insurance Company Y collects Third Party Insurance premiums in January 2016 and calculates TPIL on the tax exclusive amount of the premium (\$120)*

$$\begin{aligned}\text{Third Party Insurance Levy} &= \$120 \times 20\% \\ &= \underline{\$24}\end{aligned}$$

Insurance Company Y will have to send the TPIL January 2016 return together with the payment (\$24) to FRCA on or before the 15th of February 2016.

12. **Example 2:** Facts as given in Example 1. Assume that Insurance Company Y failed to lodge return or pay TPIL by 15th February 2016.

Penalties applicable:

- *Late Lodgment Penalty (LLP) is 20% of tax payable = $20/100 * \$24 = \4.80*
- *Late Payment Penalty (LPP) is 25% on unpaid tax = $25/100 * \$24 = \6.00*

The total tax payable:

$$\begin{aligned}&= \text{Levy Payable} + \text{LLP} + \text{LPP} \\ &= \$24 + \$4.80 + \$6 \\ &= \underline{\underline{\$34.80}}\end{aligned}$$

Insurance Company Y will be liable for the penalties of \$10.80

End of PS

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