



**PRACTICE  
STATEMENT No.  
42/2016**

<b>SUBJECT</b>	<b>FIJI REVENUE &amp; CUSTOMS AUTHORITY</b>  <b>EMPLOYMENT TAXATION SCHEME</b>
<b>DATE OF EFFECT</b>	1 August 2016
<b>CONFIDENTIALITY STATUS</b>	May be released to the public
<b>LEGISLATIVE REFERENCES</b>	<i>Income Tax Act 2015, Section 25A</i>  <i>Income Tax (Employment Incentives) Regulations, 2016 (Legal Notice # 64)</i>  <i>Tax Administration Act, 2009</i>
<b>PRACTICE CO-ORDINATOR</b>	National Manager Revenue Collection

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## **INTRODUCTION**

1. The purpose of this Practice Statement is to provide guidance on the Employment Taxation Scheme (ETS) for employers. It is issued with the authority of the Chief Executive Officer (CEO) of the Fiji Revenue & Customs Authority (FRCA).
2. The ETS aims to encourage Fiji businesses to support the employment of school leavers, tertiary students, persons with physical disabilities and the promotion of higher education for employees, through participation in the Scheme.
3. Eligible employers can claim deductions ranging from 150% to 300% of the amount of salary, wages and education fees if the necessary conditions are met.
4. Interested employers can register by completing the application form and submitting it to FRCA.

## **LEGISLATIVE BASIS**

5. Section 25A of the *Income Tax Act 2015* provides for the making of employment incentive regulations by the Minister for Economy and these are set out in the *Income Tax (Employment Incentives) Regulations 2016*.
6. A person who wishes to participate in the ETS must register by providing the required information to the CEO in the approved form (Regulation 3).
7. The incentives are covered in Regulations 4 to 8. Further guidance is given in paragraphs 8 to 12 of this Statement.

## **APPLICATION**

### **First Time Employees**

8. Regulation 4 allows a tax deduction for wages paid to a new full time employee in the first 12 months of employment, provided the person was not previously employed. The employee's pay must not be less than the minimum wage for the industry or sector. The tax incentives are as follows-
  - continuation of the ETS incentives for employers that qualified under the repealed Income Tax Act – 150% deduction for the amount of salary/wages paid;

- for new employees hired in the period 1 January 2016 to 31 July 2016 – 150% deduction for the amount of salary/wages paid;
- for new employees hired after 31 July 2016 - 200% deduction for salary/wages paid.

**Example 1** – Employee hired prior to 1 January 2016

*ACo, a hotelier hires a new employee Jack in October 2015. Jack will be paid the industry minimum wage rate. ACo can claim 150% for the total wages paid to Jack from October 2015 to September 2016.*

*Amount claimable in ACo's 2015 return*

<i>Date</i>	<i>Wages paid</i>	<i>Deduction [%]</i>	<i>Allowable Deduction</i>
<i>Oct–Dec 2015</i>	<i>\$3000</i>	<i>150%</i>	<i>\$4500</i>

*Amount claimable in ACo's 2016 return*

<i>Date</i>	<i>Wages paid</i>	<i>Deduction [%]</i>	<i>Allowable Deduction</i>
<i>Jan– Sept 2016</i>	<i>\$9000</i>	<i>150%</i>	<i>\$13500</i>

**Example 2** – Employee hired in the period 1 January – 31 July 2016

*Suppose ACo hires another employee (Mere) in January 2016. Mere is paid \$15000. ACo will claim the following deductions in its 2016 return*

<i>Date</i>	<i>Wages paid</i>	<i>Deduction [%]</i>	<i>Allowable Deduction</i>
<i>Jack Jan – Sept 2016</i>	<i>\$9000</i>	<i>150%</i>	<i>\$13500</i>
<i>Mere Jan – Dec 2016</i>	<i>\$15000</i>	<i>150%</i>	<i>\$22500</i>

**Example 3** – Employee hired after 31 July 2016

*Suppose ACo hires another employee (Sami) in August 2016. Sami will be paid \$5,000 in 2016. In its 2016 return ACo will claim the following deductions*

<i>Date</i>	<i>Wages paid</i>	<i>Deduction [%]</i>	<i>Allowable Deduction</i>
<i>Jack Jan – Sept 2016</i>	<i>\$9000</i>	<i>150%</i>	<i>\$13,500</i>
<i>Mere Jan – Dec 2016</i>	<i>\$15000</i>	<i>150%</i>	<i>\$22,500</i>
<i>Sami Aug – Dec 2016</i>	<i>\$5000</i>	<i>200%</i>	<i>\$10,000</i>

## Work Placements

9. Regulation 5 provides for a 200% deduction on the amount of salary/wages paid in the first six months of employment, to a student on a work placement. The conditions are as follows :
- the employment must be part of the student's graduation requirement in a learning program set by a higher education institute;
  - the incentive is available in the period 1 August 2016 – 31 December 2020.
10. Higher education institution is defined in the *Higher Education Act 2008* as follows

*"higher education institution" means an educational institution in Fiji that provides award-conferring post-secondary education including, but not restricted to, Technical and Vocational Education and Training centres, information technology centres, secretariat schools, language schools, hospitality training centres, care-giving training providers, performing arts and sports academies, religious educational institutions, colleges and universities;"*

### Example 4 – Wages paid to employee on work placement

*BCo employs Hari for 8 months in 2017 for \$320 per month. Hari is studying mechanical engineering in a recognized vocational institution in Fiji. He is required to work for 4 months in a garage as part of his graduation requirement. Total wages for the period of employment was \$2560 (\$320 x 8 months).*

*BCo can claim a 200% deduction on total wages paid in the first 6 months.*

*Wages for 6 months ( \$320 x 6 months) = \$1920*

*Deduction allowed = \$3840 (\$1920 x 200%)*

## Part Time Workers

11. Regulation 6 provides for a 200% deduction for the amount of salary/wages paid to a student who is a part time worker. It does not apply to permanent employees pursuing private studies. The conditions are as follows:
12. The conditions are as follows:
- the employment must be related to the student's area of study;
  - a deduction is allowed for the wages paid in the first 3 months in a 12-month period
  - the incentive is available in the period 1 August 2016 – 31 December 2020

### Example 5 – Wages paid to part time worker

*FCo an accounting firm employs Jane an accounting student at local university on a part time basis. Jane works at FCo every morning for 4 hours. She is paid \$500 a month. Total wages for 2016 was \$4000 (\$500 x 8 months).*

*FCo can claim a 200% deduction on the wages paid in the first 3 months.*

<u>Year</u>	<u>Wages paid to Jane</u>	<u>Deduction allowed</u>
2017 -	\$1500 (\$500 x 3 months)	\$3000 (\$1500 x 200%)

### Persons with Disabilities

13. Regulation 7 provides for a 300% tax deduction for the amount of wages and salaries paid to an employee with physical disabilities recruited from 1 August 2016. The conditions are:

- the employer's application for registration must be supported by a medical certificate explaining the nature of the disability;
- the deduction for salary/wages paid can be claimed for 3 consecutive years;
- the salary/wages deductible is the amount paid from the date of recruitment;
- the incentive ends on 31 December 2022; this means that any salary/wages paid after this date will not qualify for the incentive;
- if an employee is unfairly dismissed (as determined in a court of law) the employer will be taxed on the amount of incentive allowed as a deduction.

### Example 6 – Wages paid to disabled person

*EFG Partnership engages Jone, a switch board operator, in October 2016 and he will be paid \$500 a month. Jone is visually impaired. EFG can claim a tax deduction of 300% for 3 years.*

<u>Year</u>	<u>Wages paid</u>	<u>Deduction allowed</u>
2016 -	\$1500 (3 months)	\$4,500
2017 -	\$6000	\$18,000
2018 -	\$6000	\$18,000
2019 -	\$4500 (9 months)	\$13,500

*If Jone is unfairly dismissed, any amount above the ordinary claimable expense will be recouped as follows-*

<i>Year</i>	<i>Wages paid</i>	<i>Deduction allowed</i>	<i>Recouped</i>
2016 -	\$1500	\$4,500	\$3000
2017 -	\$6000	\$18,000	\$ 12,000
2018 -	\$6000	\$18,000	\$ 12,000
2019 -	\$4500	\$13,500	\$9000

### **Employee Development**

14. Regulation 8 provides for a 150% tax deduction on the amount spent by an employer on an employee's formal education fees (tuition fees) to study in a tertiary institution, during the course of employment. The conditions are-
- the expense must be incurred on or after 1 August 2016;
  - the employee must be required to work for the employer for a minimum period of one year upon completion of studies.
15. This applies to education that will result in the issue of a certificate, diploma degree etc to the individual. It does not apply to usual work benefits that employers may undertake to up-skill their staff such as attendance at workshops, group training etc.

#### **Example 7 – Employee development expense**

*HJK Bank requires two employees to undertake banking courses at a local university.*

*In 2016, the cost of education was \$8000. In its tax return for 2016, HJK can claim a tax deduction of \$12,000 (\$8,000 x 150%)*

*In 2017, the education cost for 6 employees was \$10,000. HJK can claim a tax deduction of \$15,000 (\$10,000 x 150%)*

### **PROCESS**

16. Any person wishing to claim a deduction must first register with the CEO. Employers interested in the ETS can check whether they meet the requirements before applying for registration by writing to [info@frca.org.fj](mailto:info@frca.org.fj) or contacting any FRCA office Fiji wide.
17. Application must be made in the approved form and include complete information on the criteria required.

18. The application must be sent by post or hand-delivered to-

*The Chief Executive Officer  
Fiji Revenue & Customs Authority  
Private Mail Bag  
Suva.*

19. Once the CEO is satisfied that the conditions are or will be met, provisional approval will be granted in writing. This letter is to be attached to the tax return to support a claim together with details of the employees for which the deduction is claimed e.g. name , date of recruitment, FNPF number , wages paid etc.
20. Employers are required to register only once for the ETS and must provide information in writing, on any new incentives they wish to claim for.
21. If the CEO refuses a request for ETS registration or a claim for the incentive, the employer may request for a review of that decision.
22. The provisions of the *Tax Administration Act 2009* relating to record keeping, the provision of information and penalties applies to the ETS.
23. For enquiries, please contact Taxpayer Education & Publicity Unit (TEPU) team on: Email: [info@frca.org.fj](mailto:info@frca.org.fj) or call on telephone number 3243504/ 3243505.

## **ATTACHMENT**

### Extract from Income Tax (Employment Incentives) Regulations 2016 (Legal Notice #64)

#### **PART 2—EMPLOYMENT INCENTIVES**

##### **Registration for employment incentives**

3.—

*(1) A person may, where applicable, apply to the CEO for an employment incentive specified in these Regulations.*

*(2) An application under sub regulation (1) must be made in the form approved by the CEO.*

*(3) A person who applies for an employment incentive under sub regulation (1) must register with the CEO by providing such information as the CEO may require.*

##### **First-time employees**

4.—(1) A person carrying on business in Fiji is allowed a deduction for—

*(a) 150% of the amount of any salary or wages paid to a qualifying employee between 1 January 1997 and 31 July 2016; and*

*(b) 200% of the amount of any salary or wages paid to a qualifying employee between 1 August 2016 and 31 December 2020, provided that the salary or wages paid to the qualifying employee in respect of whom the deduction is claimed must not be less than the minimum wage prescribed by written law for a particular industry or sector.*

*(2) The deduction under subregulation (1) is not available unless the CEO is satisfied that such person has not terminated the employment of any qualifying employee in order to take advantage of the deduction.*

*(3) Notwithstanding subregulations (1) and (2), the deduction under subregulation (1) is restricted to the salary and wages paid in respect of the 12-month period commencing from the date of the appointment of the qualifying employee.*

*(4) For the purpose of subregulations (1) to (3), “qualifying employee” means an additional employee who commences employment in Fiji after 31 December 1996 and who has not previously been in full-time paid employment.*

##### **Work placements**

5.—(1) A person is allowed a deduction for 200% of the amount of any salary or wages paid to a student for employment of the student for a period not exceeding 6 months in a 12-month period before the student’s graduation where the employment forms part of the student’s course requirements of a higher education institution as defined in the Higher Education Promulgation 2008.

*(2) The deduction under subregulation (1) may only be claimed between 1 August 2016 and 31 December 2020.*

##### **Part-time workers**

6.—(1) A person is allowed a deduction for 200% of the amount of any salary or wages paid to a student for employment of the student in an area related to the student’s area of study for a period not exceeding 3 months in a 12-month period.

*(2) The deduction under subregulation (1) may only be claimed between 1 August 2016 and 31 December 2020.*



**Persons with disabilities**

7.—(1) A person is allowed a deduction for 300% of the amount of any salary or wages paid to a person with a disability for a consecutive period of 3 years, provided that if the employee is unfairly dismissed, any deduction allowed must be recouped by the CEO.

(2) The deduction under subregulation (1) may only be claimed between 1 August 2016 and 31 December 2022.

**Employee development**

8. A person is allowed a deduction for 150% of the amount paid by the person for an employee's education fees to study during the course of the employee's employment, provided that the employee is required to work for the person for a minimum of one year upon the completion of the employee's study.

**End of PS**

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