



Practice Statement
No. 15/2012
2nd release – 1st August 2014

SUBJECT	FIJI REVENUE & CUSTOMS AUTHORITY Administration of the Credit Card Levy
DATE OF EFFECT	1 January 2013 Note: This Practice Statement replaces the 1 st Release dated 1 January 2012
CONFIDENTIALITY STATUS	May be released to the public
LEGISLATIVE REFERENCES	<i>Income Tax Act 1974 Section 7G</i>
PRACTICE CO-ORDINATOR	National Manager Revenue Collection

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INTRODUCTION

- 1) This Practice statement has been developed to provide information on the application of the law relating to the Credit Card Levy. It is issued with the authority of the Chief Executive Officer of the Fiji Revenue & Customs Authority (FRCA).
- 2) The Credit Card Levy (Levy) was implemented with the promulgation of a new section (section 7G) in the Income Tax Act with effect from 1st January 2012. It was amended in 2013.
- 3) The Levy is 2% of the amount owing on a credit card account maintained at a commercial bank.
- 4) Although the Levy is charged to a credit card holder's account, the bank that provides the credit card facility is liable for collection and payment to FRCA.
- 5) With effect from 1 January 2013, the Levy is computed on the debit balance that remains 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
- 6) For the period 1 January 2012 to 31 December 2012, the Levy was computed on any amount debited during the month and which remained unpaid at the end of each month, whether overdue or not.

LEGISLATIVE BASIS

- 7) The Credit Card Levy is imposed on the holder of a bank credit card under Section 7G of the Income Tax Act 1974. The law change was published in the Gazette dated 10 January 2012 (Decree No.7 of 2012).
- 8) In the 2013 Budget Address, the Minister announced a change in the computation of the Levy to promote simple administration by commercial banks. The computation of credit card levy is to be aligned to each credit card holder's monthly billing cycle.
- 9) The amendment to Section 7G (Income Tax Amendment Decree No. 16 of 2013) which is effective from 1 January 2013, states:

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

(2) The Credit Card Levy imposed under subsection (1) for a monthly billing cycle shall be computed by applying the rate of 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 shall be liable to pay the levy on behalf of the holder of the bank credit card”.

10) As announced in the 2012 Budget, the reduction in personal tax rates requires some measures to encourage responsible behaviour such as saving money and living within our means. The 2013 amendment provides further incentives to encourage sound financial management

11) The main effect of the 2013 amendment is that:

- if the amount owing on a credit card account is paid on or before the due date for payment, no Credit Card Levy applies.
- if, at the due date for payment, any amount remains unpaid, the Credit Card Levy will be applied on the total amount overdue, including any bank charges such as fees and interest.

COLLECTION & REMITTANCE of the CREDIT CARD LEVY

12) The Reserve Bank of Fiji issues guidelines to ensure proper administration of the Levy. The procedure is as follows:

- a) Where any sum debited to a credit card account in a billing cycle remains underpaid at the end of the due date for payment, the bank is required to add its penalties and charges before applying the Levy.
- b) Once the Levy is computed:
 - debit and withdraw a sum equal to the sum payable as Credit Card Levy;
 - remit the amount assessed together with a Credit Card Levy Return to FRCA on or before the 15th day of each month following the month in which the sums were collected;
 - if the 15th day of any month falls on a week end or public holiday, the due date for payment is the last working day before the 15th.

13) Banks must keep accounts, documents and records to enable the computation of the amount of Levy payable.

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APPENDIX 1

Example

14) Mr. AB is an existing credit card customer with CDF Bank. He uses his credit card to pay bills and shopping. A total of \$1000 for expenses incurred on 5th January and 10th January 2013 were debited to his credit card account in January 2013.

Billing cycle

Billing date: 15th day of every month,
Due Date: 25 days from the billing
date Credit card facility: \$2000

AB's credit card account for the billing cycle 05/01/13 – 09/02/13

Date	Transaction	Amount	Balance
05/01/13	Bills	\$600	\$600
10/01/13	Purchases	\$400	\$1000
11/01/13	Bank charges	\$20	\$1020
15/01/13 (billing date)			
16/01/13	Payment	\$500	\$520
09/02/13 (due date for payment)			
10/02/13	Interest	\$30	\$550
10/02/13	Credit Card Levy	\$11	\$561

The amount of the Levy charged to Mr AB's credit card account on 10/02/13 will be reported in CDF Bank's Credit Card Levy Return for February 2013. The return and the amount deducted will be paid to FRCA on or before 15 March 2013.

APPENDIX 2

Section 7G, previously read:

“ (1) A levy to be known as “credit card levy” at a rate of 2% imposed on all outstanding balance on bank credit cards, inclusive of interest and other bank charges .

(2) The person liable for the levy under subsection (1) shall be the owner of the bank credit card.

(3) The bank shall on or before 15 days after the last day of each month, lodge a return in the approved form and pay the levy due.”