



**PRACTICE
STATEMENT**
No.15/2012

SUBJECT	FIJI REVENUE & CUSTOMS AUTHORITY: CREDIT CARD LEVY
DATE OF EFFECT	1 January 2012
CONFIDENTIALITY STATUS	May be released to the public
LEGISLATIVE REFERENCES	<i>Income Tax Act 1974</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 Credit Card Levy.
- 2) The Credit Card Levy is imposed a rate of 2% on all bank credit card outstanding balance under the provisions of the Income Tax Act 1974 which is effective from 1 January 2012. It is issued with the authority of the Chief Executive Officer, of the Fiji Revenue & Customs Authority (FRCA).
- 3) The Credit Card Guideline for administering the levy is provided by the Reserve bank of Fiji to all the Banks operating in Fiji.
- 4) All banks that has issued or that will be issuing a bank credit card in Fiji after 01.01.2012, must ensure that the Credit Card Levy of 2% be imposed on a monthly basis for all bank credit card outstanding balance.
- 5) Banks operating in Fiji must remit to FRCA all Credit Card Levy charged. and would recover from the Bank credit card holders through the Credit Card repayments.
- 6) Banks must provide information to the Bank credit card holder of Credit Card Levy debited at the end of each month.

LEGISLATIVE BASIS

- 7) In the 2012 Budget Address, the Minister of Finance announced that a Credit Card Levy is to come into force on 1 January 2012. In his speech that the Minister of Finance also announced that RBF will issues guidelines for the Banks. The Credit Card Levy is imposed on employers under Section 7G of the *Income Tax Act 1977* (Decree No.7 of 2012 dated 10 January 2012).

- 8) **Section 7G** states:

“ (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.”

IMPOSITION OF THE CREDIT CARD LEVY

- 9) The Credit Card Levy is imposed a rate of 2% on all bank credit card outstanding balance inclusive of interest and other bank charges.
- 10) Outstanding balance is defined under the Reserve Bank instructions on the Credit Card levy as:
- “The amount owing by each credit card holder at the end of each month in the credit cards holder’s credit card account held with a financial institution. The applicable balance includes any interest charges for the month and any applicable fees or charges”.*
- 11) The person liable for the levy under subsection shall be the owner of the bank credit card.
- 12) The banks shall be responsible for remitting the credit card levy collected and lodging a return on the 15th of every month following the end of the month in which the levy was imposed.
- 13) The Credit Card Guideline for administering the levy is provided by the Reserve bank of Fiji to all the Banks operating in Fiji.
- 14) Banks operating in Fiji must pay the credit card levy to FRCA all Bank Credit Card Levy imposed and would recover from the Bank credit card holders through the Credit Card repayments.

Example

Mr. X has a credit card limit of \$10,000. He uses his Y Bank Credit Card to pay for his bills and shopping for the month of January 2012 for a total amount of \$1000.00. Mr. X paid \$800.00 to Y Bank for his Y Bank credit Card in January 2012.

For the month of January, Mr. X has a Y Bank credit card outstanding balance of:

Facility used	\$1,000 - \$800 = \$200.00
Y Bank Interest	= \$2.00
Other Y Bank Charges	= <u>\$8.00</u>
OUTSTANDING BALANCE =	\$210.00
Credit Card Levy 2%	= \$4.20

Y bank will complete and lodge the Credit Card Levy Return for January 2012 and pay \$4.20 to FRCA on or before 15.02.12

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