

PAYE EMS Lodgements – Talk Tax Article

FS: Are Salary & Wage Earners required to lodge a tax return for 2016?

CEO: No, they are not required to lodge a tax return for 2016 unless if they fall under any of the following scenarios:

1. If the employee had two or more employments during the year and the total income received is above \$16,000.00;
2. Where an employee receives a demand notice from the Commissioner to lodge a return;
3. The employee also has other sources of income e.g. rent, dairy, commissions etc. (but does not include pension income). The employee will have to complete and lodge a Form B Return; or
4. Employees who are earning above \$270,000 and are subject to Social Responsibility Tax
5. Where an employee is entitled to a refund due to:
 - i. receiving redundancy or lump sum payments; or
 - ii. employed for part of the year.
 - iii. Seeking Clearance for migration

FS: Why are they not required to lodge a 2016 tax return?

CEO: Previously employees were required to file a tax return for the purpose of an assessment that will determine whether there is a refund or payable assessment. From 2013 onwards PAYE became a final tax and this would mean that most employees would not be required to lodge a tax return since its self-assessment. The introduction of final tax on PAYE and its alignment to self-assessment means that the employee's duty to lodge a tax return is replaced by lodgments of monthly EMS's made by the employer.

FS: You mentioned the introduction of Final tax on PAYE, what does final tax mean?

CEO: Final tax means that on every pay (1st pay till the final pay) an employee earns in 2016, his/her Employer would have deducted the correct amount of tax the employee was liable for on that pay – no more no less. Every month an employer is required to lodge an Employer Monthly Summary and remit all PAYE deducted in the previous month. At the end of the year employer should issue a certificate to the employee detailing the total income earned for the year and the tax deducted. With the certificate the employee would be assured that his/her PAYE is correctly paid and no more tax refund or further tax to be paid to FRCA. However, employees are welcome to enquire with FRCA on any issue on PAYE.

FS: Are employees affected if the Employer Monthly Summary (EMS) is not lodged to FRCA?

CEO: Yes, without the 12 months EMS details from employers, FRCA will not be able to confirm to employees their tax position for the year. This is applicable to both employees whose salary salaries are above and below the annual tax threshold of FJ\$16,000.

FS: What happens to employers that do not lodge their EMS?

CEO: Firstly they will be fined for non-lodgment and secondly any wages claimed as an expense in the Profit and Loss Statement by the business may be disallowed. Issuing of Tax Compliance certificate and Tax clearance can become an issue.

FS: What is a major issue that you encounter with employers when they lodge their EMS?

CEO: One of the major issues that we face with employers is the amount of consistent errors received during electronic filing. Common errors like invalid TIN for employees, duplication of

TIN, no TIN at all and wrong dates used when EMS's are lodged. User of FRCA's Flat File generators should not be encountering errors such as TIN Duplication, Invalid Start and End Dates, invalid Space error or no TIN error. If you are, then kindly upload updated versions as it has been enhanced to combat the errors at source except for invalid TINs. Although we understand and expect the likeliness of human error to exist in electronic filing we continue to encourage and advise employers to maintain a consistent error free filing of EMS's. We have a dedicated PAYE EMS team that will assist those that require assistance.

FS: How does an Employer change from monthly to 6 monthly lodgments for EMS?

CEO: This only applies to Employers that have all its employees earning less than FJ\$16,000 annually. They may opt to change their EMS lodgements status from monthly to 6 monthly lodgements.

FS: What happens if an Employer has outstanding EMS's from 2016 but qualifies for 6 monthly lodgements?

CEO: In cases where an employer requests for registration as a 6 monthly lodger but has outstanding PAYE lodgements and payments then the employer will be required to settle all outstanding PAYE issues before registration for 6 monthly lodgements can be validated. This ensures that employers are clear of PAYE issues before changes are made.

FS: For those that had registered for 6 monthly EMS Return filing in 2016, when are their EMS returns due?

CEO: The EMS for the first six months (January to June 2016) was due in July 2016 and the second six months (July to December 2016) will be due by the end of this month 31.01.2017.

FS: What if an Employer requests to be registered for 6 monthly lodgements in the month of October 2016?

CEO: In such cases employers will be required to complete the full cycle of monthly lodgements before changing lodgements from monthly to 6 monthly. In other words they will be required to lodge October November and December of 2016 to complete the monthly cycle before registering for 6 months in the year 2017. Likewise if they were to request for registration on the month of May then they will be required to lodge EMS's for May and June to complete monthly cycles before registering for 6 monthly in July.

FS: So what is the effect in terms of filing if the Employer was registered for 6 months with FRCA from January 2017?

CEO: This would mean that January to June 2017 EMS's will no longer be filed monthly however the 6 months EMS's will now be consolidated into one EMS and lodged at the end of the month of July 2017. The Tax payer is to contact PAYE Section and advise on the 6 Monthly registration before 31st of January 2017

FS: Employers are still using the PAYE tax table to determine tax deductions for employees, is this correct?

CEO: No this is incorrect and employers must refrain from using the PAYE tax table for calculations as it would not give the correct amount of PAYE deductions. However we encourage employers to make full use of Formula 6 for ease of PAYE calculations.

FS: What is the penalty for non-filing employers whose employees earn below the tax threshold and are not filing their EMS Return?

CEO: The employer will be subject to a late lodgement penalty of FJ\$1 a day for every default on lodgement. A good example would be an outstanding EMS for the year 2016, where an employer defaults on EMS lodgement for the whole year the employer will be required to pay up FJ\$365 for the daily default of lodgement.

FS: Any other comments you want to make?

CEO: Again I appeal to employers to comply with the tax laws. For those that require FRCA assistance or guidance in completing their EMS, please ensure that you get the right assistance. Our advisory services are free of charge and we can visit your business premises at a time convenient to you. You can always email your queries to info@frca.org.fj and our officers will be more than happy to assist. We are here to help at the same time ensure that employers know their tax laws but moreover perform their tax duties and responsibilities diligently.