

TAX TALK - Employer Monthly Summary (EMS) 2016 Budget change.

FT: Please explain about the Employer Monthly Summary (EMS)

CEO: The EMS is an electronic report which is lodged through email by employers to FRCA on a monthly basis. It contains the amount of Pay As You Earn (PAYE) tax deducted from each employee during that particular month. This replaces the annual summary that was previously done by employers prior to 2012.

FT: Please explain about this new EMS change announced in the 2016 budget?

ACEO: The Government of Fiji places a lot of trust in employers. The information supplied in EMS is vital to the Fiji Tax Administration and its integrity. As an employer, whether deducting tax or not you are an important component in the Fiji taxation system. The EMS that an employer will electronically file provides the basis of each of your employees PAYE final tax assessment. Those employers where all its employees are earning less than \$16,000 will now file their EMS on six monthly basis instead of filing it monthly as they were doing previously. This is to assist such employers the burden of having to file every month.

FT: Since the introduction of EMS in 2013, what has the response been like?

ACEO: The EMS return was a big change for employers and FRCA as well. Over time employers are becoming more used to the EMS return filing requirements, and the dedicated team within FRCA has been working alongside employers. We are planning to increase our support for new employers as we want to significantly support on-time filing for this taxpayer group and its first returns.

FT: Are employees affected if the EMS is not filed

ACEO: Without a full years EMS details your employees will not be able to have their tax position confirmed for the year in question, and that's not fair on them. This is applicable also to employees whose salary is below the taxation threshold of FJD\$16,000 annually.

FT: What is effect on non-filing employers whose employees salary or wages is below the tax threshold?

ACEO: As an employer you are entitled to claim a deduction against your taxable income for salary and wages in your business income tax return. FRCA's current operational policy is to disallow the salary and wages expenses that cannot be verified by a filed EMS return. Failure to file EMS return will also be subject to penalty.

FT: What are some issues that you have with employers?

CEO: An important issue that we find is the filing of the Employer Monthly Summary is seen as not important. Employers need to better understand the importance of correctly filing the EMS on time, we will re-enforcing this at every opportunity with employers.

FT: What happens when there is an error in the EMS return filed?

CEO: Where the FRCA tax system is unable to process an EMS report due to an error, an acknowledgement and a Successful or Unsuccessful Notification will be automatically generated to advise the employer. The employer will then need to rectify the specific error and resend the amended EMS report within 7 working days. Some common errors are invalid TIN for employees, duplication of TIN, no TIN at all and wrong dates. We offer support services to help employers if they are having difficulty submitting their return due to an error message or a technical difficulty.

FT: How is PAYE remitted to FRCA?

CEO: PAYE tax is collected through source deductions from salaries, wages and other remuneration receivable from employment. The tax is calculated on chargeable income. Employers are responsible for the deduction and remittance of PAYE tax to the Fiji Revenue & Customs Authority on or before the end of the month following the month in which the tax was deducted.

FT: How come sometimes the overtime payment for an employee whose annual salary is below \$16,000 is taxed?

CEO: This happens when the accounts or salary clerk lumps the overtime payments with the normal income in the PAYE calculator. Where an employee whose annual salary plus overtime payment is below the \$16,000 threshold, filling in the correct fields in the PAYE formula will see that no PAYE is deducted. However, when the overtime plus the annual salary exceeds the \$16,000 threshold, PAYE will automatically be calculated.

FT: What happens to those individuals whose PAYE has been deducted on overtime, however, their normal annual salary plus overtime is below the \$16,000 threshold?

CEO: FRCA will issue them a refund on any overpaid PAYE and a Notice of Assessment will be issued to them stating the refund details.

FT: What are the responsibilities of an employee when joining an employment?

CEO: An employee must file Employee Tax Code Declaration Form (IRS458) stating the name, TIN and the Tax Code that is either primary or secondary employment. This will enable the employer to determine and calculate the correct amount of tax to be deducted in each pay period.

FT: What happens when an employer closes down business?

CEO: Upon cessation of business, the PAYE payment is to be paid within 7 days of the day in which business ceased to operate. Advise PAYE Office of closure of Business and request for Employer status to be updated to "DEREGISTERED".

FT: Will there be any penalty for non-filing employers whose employees earn below the tax threshold?

ACEO: Yes, such cases will be subject to a late lodgment penalty of FJD\$1 a day for each return period, this can add up to large sums outstanding quickly..

FT: Do you have any other advice to employers?

CEO: I appeal to employers to comply with the law. For those that require FRCA assistance or guidance in completing their EMS, please do let us know. Our advisor services are for free and we can visit your business premises at a time convenient to you. We are here to help. You can always email your queries to info@frca.org.fj and our officers will be more than happy to assist you.