

Tax on bank interest

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In The Past Year, Taxpayers Have Raised Concerns About Tax On Bank Interest From Term Deposits And Savings. While Those That Earn Less Than \$16,000 Per Annual Do Not Pay Taxes, They Continue To Be Charged 20 Per Cent On Bank Interest Earned Even Though The Person's Total Income Is Less Than The \$16,000 Bracket. This Week, Fiji Revenue And Customs Authority Ceo Jitoko Tikolevu, Speaks To Geraldine Panapasa About The Tax Levied On Bank Interests.

TIMES: Can FRCA clarify the tax levied on bank interest from savings and term deposits?

TIKOLEVU: The tax on interests earned from banks is called resident interest withholding tax (RIWT). The tax is applied on any interest derived from term deposits and savings in the bank. At the maturity of a term or whenever interest is earned, a 20 per cent tax is deducted. Note that this tax is applied on the interest earned and not on the principal term deposit or saving.

TIMES: Are there some tax exemptions on such tax or does everybody pay?

TIKOLEVU: There is tax exemption on interest received by an individual on the first \$200 of interest earned or where the gross income (salary, wages, interest and gross turnover included) is not more than \$16,000. Please note that to qualify for the exemption one will have to apply in writing through an exemption application form. Once your application is approved, FRCA will issue a certificate of exemption (COE).

TIMES: Does this application apply to non-profit organisations such as churches, social club, and family clubs among others.

TIMES: Yes, non-profit organisations can apply for a certificate of exemption as well.

TIMES: Who qualifies for this tax exemption?

TIKOLEVU: To qualify for tax exemption the individual should be above 55 years and retired. You should be able to verify the source of funds for first time applicants — hence they have to bring along evidence — for example, if the source is from FNPF then a FNPF letter, copy of term deposit slip or bank statement for savings account.

From January 1 this year, all individuals with gross income up to \$16,000 from all sources (Form B taxpayers as well) inclusive of interest income will be exempt from RIWT.

TIMES: For those who may not be aware of such exemptions, for example pensioners, and have had their interests earned had already been taxed, what do they do?

TIKOLEVU: They will need to complete and lodge a RIWT refund form to request for the refund. In the form the applicant must declare details of the banks where the accounts are held, bank name, branch name and account numbers, interest earned, source of the funds and other sources of income.

TIMES: What evidence are they required to provide?

TIKOLEVU: The applicant must attach the interest certificate (P32-2 slip) issued by banks and provide sufficient proof that individuals gross income including salary, wages, interest and gross turnover but excluding exempt income is not more than \$16,000.

* This is a weekly column specifically targeting tax issues. If you have any topics that you want Talk Tax to focus on, contact Business Editor Geraldine Panapasa on gpanapasa@fijitimes.com.fj or Business reporter Ropate Valemei on rvalemei@fijitimes.com.fj.

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