

Tax talk: Employment Taxation Scheme

FS: Can you shed a bit more light on Governments tax incentive on the Employment Taxation Scheme?

ACEO: This part of Governments initiative to boost employment for school leavers, job seekers, the disabled and also support the up-skill of those already in the labour market. The new Employment Taxation Incentive provides an Employer an increased allowance on deductions for salary and wages expenditures as well as for educational fees for employee up-skill. Previously the Employment Taxation Scheme incentive rate was at 150% for new employees only, however, with effect from 1 August 2016, employers will be able to claim an increased tax deduction up to 200% and it is not only for new employees but also on current and disabled employees.

FS: What is the employment tax incentive for employers relating to its employees?

ACEO: The respective incentive rates on the Employment Taxation Incentive are as follows:

1. Tax deduction on wages paid on first full-time employee to continue, with an increased rate of 200%;
2. 200% tax deduction on apprenticeship in the related area of study up to 6 months in a year before graduation, as part of course requirements;
3. 200% tax deduction on wages paid to students employed in the related area of study up to 3 months in a year during holidays;
4. 300% tax deduction on wages paid in the employment of disabled people who will be employed continuously for a period of 3 years; and
5. 150% tax deduction of employees' education fees who are allowed to study (up-skill) and attend training to obtain a professional qualification during their course of employment.

The new employment taxation scheme will expire in 2020 except the 300% tax deduction on wages paid in the employment of disabled people, which will expire in 2022.

FS: Will the employer be able to claim the employment taxation incentive every year, or for the number of years of service?

ACEO: In relation to employment tax incentives, the tax deduction is claimed only once, in the year of recruitment.

FS: Can you give an example of incentive for a first full-time employee and how the tax incentive works?

ACEO: The claim is made in the income year in which the employee was recruited (i.e. only once). The tax deduction for wages paid on first full-time employee to a new employee is 200%. Example: Company A engages two new employees in September 2016. The total wages paid is \$12,000. In its tax return for the tax year 2016, Company A can claim a deduction of \$24,000 ($\$12,000 \times 200\%$).

FS: Noting that the new incentive change comes into force 1st August 2016, how about those employees that were engaged earlier in the year?

ACEO: The Employment Taxation Incentive will apply to the respective period of employment. For example, X who is a new employee joins B Company on 25/7/16. The company's financial year end is 31/12/16. Company B will claim the following deduction for X's wages in its 2016 tax return.

Date	Wages paid	Deduction [%]	Allowable Deduction
25/7/16– 31/7/16	\$200	150%	\$300
1/8/16 - 31/12/16	\$4000	200%	\$8000

FS: For those currently studying at a tertiary institution and is required to do an apprenticeship what is the tax incentive and how is it calculated?

ACEO: The tax deduction for wages paid to an employee on an apprenticeship program in the related field of study up to 6 months in a year before graduation, as part of course requirements is 200%. The tax deduction for wages paid to students employed in the related area of study up to 3 months in a year during holidays is \$200%

FS: Please explain more on the disabled people being encouraged to join the labour force and how this incentive will entice employers to engage them?

ACEO: 300% is the tax deduction on wages paid in the employment of disabled people who will be employed continuously for a period of 3 years. The incentive will apply for any new disabled person recruited from 1 August 2016. The deduction will be allowed only once, in the year of recruitment. 3 years is the minimum employment period in which the disabled person is to be employed. For Example Company B engages Y, who is a blind person as a switch board operator in 2017. The total wages paid to Y in 2017 was \$ 12,000. In its tax return for the tax year 2017, Company B can claim a deduction of \$36,000 (\$12,000 x 300%)

FS: How about employers that encourage and do up-skill their employees to attain professional qualification for more efficient and effective services?

ACEO: Government as an employer does encourage an efficient and effective workforce. It now allows a 150% tax deduction for employers that pay for expenses on employees educational fees to study and up-skill to attend training to obtain a professional qualification during their course of employment. Example, C Bank allows its employees to claim reimbursement of fees of up to \$2000 per annum for their personal studies as long as the study is relevant to accounting and banking. In 2016, C Bank reimbursed four employees for a total cost of \$8000. In its tax return for 2016, C Bank can claim a tax deduction of \$12,000 (\$8,000 x 150%). In 2017, the reimbursement costs for 6 employees including the 4 employees on continuing studies was \$10,000. C Bank can claim a tax deduction of \$15,000 (\$10,000 x 150%).

FS: How does an employer qualify for this incentive?

ACEO: Any person wishing to claim this deduction is required to first register with the FRCA. Employers interested in the Employment Taxation Scheme can check whether they meet the requirements before applying for registration by writing to info@frca.org.fj or

contacting any FRCA Fiji wide. Application must be made in the approved form which available on our website www.frca.org.fj. Once the CEO is satisfied that the conditions are or will be met, a letter of confirmation will be issued to the applicant. This letter is to be attached to the tax return to support a claim. Employers are required to maintain proper records for 7 years in accordance with the provisions of the *Tax Administration Decree 2009*. A site visit may be conducted to verify employment records.