

Talk Tax - Withholding Tax on Interest Income Earned by Residents

FS : Interest paid to Fiji residents is taxable income; how is this tax collected?

ACEO: Under the Fiji Income Tax Act 2015, when a resident person or a non-resident company based in Fiji makes a payment of interest to a resident person, he/she is required to withhold 10% of that payment and pay the amount withheld to FRCA, unless it is exempt income of the recipient. The amount withheld is called 'Resident Interest Withholding Tax' (RIWT).

For example if a local bank or a foreign owned bank operating in Fiji credits your bank account (savings or fixed deposit bank account) with bank interest in February 2016, they will have to deduct 10% from any part that is not exempt. The amount deducted must be sent to FRCA before the end of March 2016.

FS : What are the RIWT exemptions for individuals?

ACEO: For individuals, the following is exempt income –

- 1) the first \$200 of any bank interest earned in a year;
- 2) the interest credited to the account of a member of the Fiji National Provident Fund (FNPF);
- 3) the bank interest up to \$16,000, of a person aged 55 years or more, provided he/she does not have any other source of income;
- 4) the bank interest up to \$16,000, of a pensioner, provided he/she does not have any other source of income apart from pension income received from an approved pension. *Example: Your pension income is \$16,000 and bank interest \$4,000 - although your combined income is \$20,000, interest income will be exempt from RIWT.*
- 5) the bank interest income of an individual whose gross income is not more than \$16,000 in a tax year.

FS : What about exemptions for persons who are not individuals like companies?

ACEO: There are only two classes of non individuals whose interest income is exempt from RIWT. These are:

- financial institutions such as banks ; and
- non profit organisations (NPO).

In cases of companies other than Banks, interest income is assessed and relevant RIWT credit allowed.

FS : How do you determine who is a non-profit organization?

ACEO: For tax purposes, NPOs include registered charities, educational institutions, religious bodies, organisations involved in industrial relations, amateur sporting bodies, social clubs; societies etc. but only if their income is not distributed to members. The CEO is required to certify an organization's status as a NPO and this is done through the registration process whereby satisfactory documentary evidence to substantiate the NPO status of an organization needs to be provided.

FS : How can qualifying NPOs and individuals obtain the RIWT exemption?

ACEO: We have processes under which eligible persons can apply for a certificate of exemption from RIWT. Once this is presented, the bank is not required to deduct RIWT.

The first step is to complete an application form – “*Application for Certificate of Exemption from Resident Interest Withholding Tax for Pensioners & Elderly Citizens (IRS600A) or Application for Certificate of Exemption from Resident Interest Withholding Tax (IRS600)*” and send it us together with the necessary requirements. All our forms have instruction sheets which applicants can use as a guide.

FS : How long does it take to process an application for RIWT?

ACEO: It should be processed within a day. If an application is incomplete or if we require more information we will contact the applicant.

FS : Will individuals have to report their interest income to FRCA?

ACEO: RIWT is a final tax for individuals. This means that since interest income is taxed at a fixed rate, the bank making the interest payment must withhold the correct amount. Once the tax is collected by a bank and paid to FRCA, individuals don't have to report it in tax returns.

FS : What happens if RIWT is deducted before the RIWT COE is produced?

ACEO: Individuals and non profit bodies that have been incorrectly taxed can claim for a refund from FRCA. They must complete and lodge a RIWT Refund Form – “*Resident/Non-Resident Interest Withholding Tax (RIWT/NRIWT) Refund Form (IRS602)*”.

FS : Do they have to attach documentary proof when submitting their claims?

ACEO: Yes, banks are required to issue RIWT certificates to their customers. This certificate will show the gross interest paid and the amount of RIWT deducted. All FRCA application forms contain details of information that must be provided.