

# Pay as you earn tax

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Pay As You Earn (PAYE) became a final withholding tax on January 1, 2013. This is a new system introduced by Fiji Revenue Customs Authority (FRCA) where the correct amount of tax (PAYE final tax) is deducted from your salary/wages. If your employment income is above \$F16,000, a salary wage earner return is not required to lodge his/her return unless the employee has two or more employments during a year and total income received is above \$16,000 or you receive a demand notice from the Commissioner to lodge a return.

FRCA CEO Jitoko Tikolevu, speaks to business reporter ROPATE VALEMEI about tax on salaries, wages, bonuses and allowances.

**TIMES:** What income would be subject to tax for individuals whose only source of income is salaries or wages and those that operate businesses?

**TIKOLEVU:** For an individual whose only source of income is salary or wages, the chargeable income would be the gross pay, and where the employee has other business, the chargeable income would be the total of gross pay plus other income.

**TIMES:** Can we claim marital and child allowances as was done in the past.

**TIKOLEVU:** No, those allowances have been removed following the reduction in tax rates for employees from 31 per cent to 20 per cent.

**TIMES:** What does PAYE final mean?

**TIKOLEVU:** The Government has considered a new PAYE approach to treat PAYE as a final tax. In other words, the amount of PAYE deducted for a pay period would represent an employee's final tax liability on that income, providing certainty every payday that the correct amount of tax has been deducted. The new process would ensure that the correct amount of tax (PAYE) is deducted from your salary/wage.

**TIMES:** Do employees have to lodge a return at the end of the year?

**TIKOLEVU:** Since PAYE has become a final withholding tax, most employees are not required to lodge a return at the end of year, if their only source of income is employment. However, if they have other sources of income other than salary and wages, they will be required to lodge a return through Form B.

**TIMES:** How are salaries and wages taxed?

**TIKOLEVU:** Salaries and wages for resident individuals are taxed using the following:

Chargeable Income (\$) Tax Payable (\$)

0 to 16000 — Nil

16,001 to 22,000 — 7 per cent of excess over \$16,000

22,001 to 50,000 — 420 + 18 per cent of excess over \$22,000

50,001+ - 5,460 + 20 per cent of excess over \$50,000

Nonresidents are taxed at the rate of 20 per cent for all income levels.

**TIMES:** Is bonus and overtime pay taxable?

**TIKOLEVU:** Yes bonuses and overtime pay are taxable. There is a special formula in the Income Tax (Withholding Tax) Regulations 2013 to calculate the PAYE and SRT for each pay. FRCA had accredited a list of software vendors that have incorporated the formula in their systems. Also FRCA, in consultation with the stakeholders, has designed an excel template that can be used to calculate the PAYE and SRT for each pay. This template — named PAYE Regulation-6-Formula — can be accessed from our website on <http://www.frca.org.fj/pay-as-final-tax/>.

**TIMES:** Why is tax high when an employee receives a salary increment?

**TIKOLEVU:** PAYE deducted is high because the formula in the Income Tax (Withholding Tax) Regulations 2013 recoups all the short deducted taxes from the previous pays. From the weekly/fortnightly/monthly/bimonthly pays, the formula calculates the estimated annual salary and the annual tax and distributes that tax evenly for each pay so when the salary increases or decreases, the formula calculates the new estimated annual salary and the annual tax and distributes that tax evenly for each pay starting from pay 1.

**TIMES:** What should be the maximum tax deduction from my salary?

**TIKOLEVU:** According to Employment Relations Promulgations 2007, deductions made from an employee's salary or wages must not be more than 50 per cent of the wages due to the worker in respect of the wage period.

TIMES: What is my responsibility as an employee to ensure PAYE is correctly deducted from my pay?

TIKOLEVU: You must complete a Tax Code Declaration Form (contains TIN, Name and Tax Code P or S) and submit it to your employer.

TIMES: How can I check whether tax is deducted correctly from my pay?

TIKOLEVU: You can use the PAYE Regulation-6-Formula template which is available on our website and can be accessed on <http://www.frca.org.fj/payee-as-final-tax/>. You will just have to enter your normal pay and other one-off payments in the columns highlighted in blue in the template.

TIMES: Who should an employee contact if tax is incorrectly deducted?

TIKOLEVU: You should contact your employer first and inform them to correctly deduct PAYE from your pay. If you are still not satisfied with the tax deducted then you can contact our PAYE section at any of our offices Fiji wide.

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