

Tax Talk Article: Employment Taxation Incentive

Introduction

Employment Taxation Scheme(ETS) is an incentive made available to employer(s) who are required to pay income tax and claim the deduction in their Income Tax return. The deduction is specifically related to the amount paid in providing employment opportunities and the up-skill of the Fiji workforce.

In this week's article, we discuss the employment incentives introduced in the 2018/2019 National Budget and the conditions that must exist before an eligible employer(s) can claim a tax deduction for this expense.

The Employment Taxation Scheme does not apply to employer(s) that are not required to pay income tax even though they employ individuals. This includes Non-profit groups, NGO's, Government Departments etc. However, this should not deter them from providing employment opportunities, training and upskilling of their employees.

What are the new ETS Incentives?

The three new incentives in the Employment Taxation Scheme are as follows:

1. Employee Development, provided by a Training Provider approved by the CEO of the Fiji Revenue and Customs Service (FRCS);
2. Family Care Leave; and
3. Paternity Leave.

1. Training Provider approved by the CEO

The employee development incentive allows an employer(s) a deduction of 150% for the amount paid to an accredited trainer for the training of employees. This applies where the employer hires a specialized trainer to train their staff on a particular subject or matter, such as OHS training, first aid training, or subject matters that relate to the taxable activity of the employer.

Conditions to be Eligible

To be eligible for the incentive, the employer(s) making the claim must meet the following conditions:

- i. Claimant must be a registered Employer and is required to pay income tax; and
- ii. Trainer engaged by the applicant must be an accredited training provider approved by the CEO.

To obtain approval from the CEO in (ii) above - the employer(s) making the claim is required to apply to the CEO(FRCS) in writing together with the information in the following **Checklist**:

- i. Completed Employer Taxation Scheme registration form (IRS015) <https://www.frcs.org.fj/wp-content/uploads/2019/05/ETS-form-new.pdf> ;
- ii. Evidence of any Accreditation of trainer;
- iii. Evidence of any previous training provided in Fiji;
- iv. Evidence of Institution from which trainer is engaged;
- v. Evidence of Trainers qualifications; and
- vi. Evidence of training provided (lesson or curriculum plan, attendance sheet etc.)

The list of all training providers approved by CEO is available on the FRCS website soon. Eligible employers are requested to refer to the list prior to engagement of trainers for employee development.

Eligible employer(s) are encouraged to apply prior to engaging the trainer to ensure that the application is approved by CEO.

2. Family Care Leave Incentive

The Family Care Leave Incentive allows a person(s) to claim a 150% tax deduction for the amount of any salary or wages paid to an employee during the 5 working days that the employee took family care leave. It is important to first establish the basis for the Family Care Leave, which is available to employees. According to the Employment Relations Act (ERA).

Family Care Leave is available for:

- i. Employees who have been employed by the current employer for more than 3 months; and
- ii. Employees who wish to provide care or support to a member of either an immediate family or member of the employee's household.

“Immediate family” includes spouse, child, parent and sibling while “Household” includes an occupant or occupants of the dwelling house who are financially dependent on each other.

Conditions to be Eligible

To be eligible for the incentive, the person(s) making the claim must meet the following conditions:

- i. The claimant must be a registered Employer and required to pay income tax.
- ii. The employer must have granted the family-care leave to the employee within the guidelines given in the ERA and also paid salary/wages during the period.

Example

ABC Company has 3 employees: Ben, John and Jane. Details of Family Care Leave taken for 2019 are as follows:

Employee	Family Care Leave		Total Leave Days Taken	Daily Rate	Total Leave Paid	Claimable Amount (150%)
	Entitlement	Taken				
Ben	5	4	4	\$100	\$400	\$600
John	5	2	2	\$100	\$200	\$300
Jane	5	5	5	\$100	\$500	\$750
Total Amount Claimable						\$1650

Therefore, ABC Company is entitled to a claim of \$1,650 when it files its 2019 Company Income Tax Return.

3. Paternity Leave

The Paternity Leave incentive allows a person(s) to claim a 150% tax deduction for the amount of any salary or wages paid to an employee during the 5 working days that the employee took paternity leave.

Conditions to be Eligible

- i. Claimant must be a registered employer and is required to pay income tax.
- ii. Employer must have granted the paternity leave to the employee within the guidelines given in the ERA and also paid salary and wages during the period.

Example

AAA Company has 3 employees: Dave, Peter and Janet. Details of Paternity Leave taken for 2019 are as follows:

Employee	Paternity Leave		Total Leave Days Taken	Daily Rate	Total Leave Paid	Claimable Amount (150%)
	Entitlement	Taken				
Dave	5	1	1	\$100	\$100	\$150
Peter	5	5	5	\$100	\$500	\$750
Janet	0	0	0	-	-	-
Total Amount Claimable						\$900

Therefore, AAA Company is entitled to a claim of \$900 when it files its 2019 Company Income Tax Return.

These incentives are used to address policy issues, encourage local and foreign investors to promote growth and development in the employment sector of our Fiji economy.

The Revenue & Customs Service wishes to encourage all employer(s) that qualify under the Employment Taxation Scheme to take advantage of the tax benefits available in this incentive.

For more information please send your queries to info@frcs.org.fj

