TAX TALK

Social Responsibility Tax (SRT) Ring Fencing

From 4th January 2021, the Social Responsibility Tax (SRT) Ring Fencing will be implemented on the Taxpayer Online Services (TPOS). It is important for employers to know how this process will work on TPOS.

In this week's Tax Talk, we will focus on the processes involved in lodging SRT Ring Fencing on TPOS.

SRT Ring Fencing

Certain types of payments made by employers to their employees are exempt from Social Responsibility Tax (SRT) and Environment and Climate Adaptation Levy (ECAL) on employment income. Referred to as "SRT ring-fenced payments", these include:

- Redundancy payments
- Retiree allowances
- Gratuity allowances
- Exit inducement payments

Employers are required to obtain prior approval of Fiji Revenue and Customs Service (FRCS) before making any of the above types of payments to an employee. For the purpose of the ring-fencing process, retiree allowances, gratuity allowances and exit inducement payments are collectively referred to as "other one-off payments".

In addition, employers are also required to obtain prior approval of FRCS for "lump sum payments", even though they are not SRT ring-fenced.

Once the payment is approved by FRCS, the employer must quote the approval number when completing the Pay As You Earn (PAYE) Periodic Summary for the period in which the redundancy payment, lump sum payment or other one-off payment was paid to the employee. The employer will not be able to declare any payment as a redundancy payment, lump sum payment or other one-off payment on the PAYE Periodic Summary unless the payment was approved by FRCS.

Request for SRT-fencing on TPOS

Employers who wish to obtain the approval of FRCS before making a redundancy payment, lump sum payment or other one-off payment to an employee, can do so via TPOS through the following steps:

1. Log into TPOS https://tpos.frcs.org.fj/taxpayerportal#/Logon using username and password.

2. Navigate to the "Requests" tile and select "SRT Ring –fencing". Following this, the applicant will be navigated to the instructions page.

3. **Instructions:**

   - On this page, the instructions for lodging request for SRT Ring Fencing are listed. The user must confirm that he/she has read and understood the instructions by clicking on the checkbox.

   - Clicking on the checkbox will enable the **NEXT** button and by clicking this the Taxpayer can proceed to further to the Request Form.

4. On the Request Form, the following fields must be completed:

   - **Type of payment** – whether it is a redundancy payment, lump sum payment or other one-off payment.

   - **Nature of payment**
     - If type of payment is **"lump sum payment",** whether it is being paid for retirement, medical, early lay-off or other reason (if "other", the user must provide a brief description of the payment)
     - If type of payment is **"other one-off payment"**, whether it is a retiree allowance, gratuity allowance, or exit inducement allowance.

   - TIN of recipient employee (name of employee will be automatically populated when a valid TIN is entered)

   - Position of employee

   - Amount to be paid to the employee

   - Details of the payment

   - Grounds for making the payment.

   - After completing all mandatory fields, click on **"Continue to Next Step".**

5. This will lead to the **"Attachments"** page, where they must attach the following documents:
   - Employment contract with the employee
   - Calculation of payment to be made to the employee
   - If type of payment is "redundancy payment":
     - Organisation structure before restructuring
     - Organisation restructure after restructuring

6. The user will be able to attach other documents supporting the request. Please note that only a maximum of 5 attachments will be allowed. Also save the form first before uploading the attachments to avoid display of error messages.

7. For redundancy payment, where the employer had already submitted an SRT ring-fencing request for another employee in a similar situation, then the employer can enter the submission number (form buddle number) for that request. In such case the employer will not be required to attach the organisation structure before and after the restructuring.

8. **Declaration and Confirmation Pages**

   On the declaration page, the user needs to confirm **that** the information in the application is true and correct.
   - If the taxpayer is an individual, no additional information will be required.
   - If the taxpayer is a non-individual, the user will be required to input their Taxpayer Identification Number (TIN) and their designation must be selected from a drop-down.
   - Click on the "Submit" button.

9. On the confirmation page, the taxpayer can download a copy of the confirmation of the submission. Confirmation of submission will be emailed to the taxpayer's registered email address.

Preparing for PAYE Implementation on TPOS.

To prepare for the implementation of PAYE on TPOS, employers need to take heed of the following advice:

1. **Employer Monthly Summary (EMS) Lodgments**

Employers who file monthly and sixth monthly returns are required to lodge and update all their returns at the earliest. They will only be able to lodge their returns using As-Is Employer Monthly Summary (EMS)/Flat File process till end of January 2021.

Any Employer Monthly Summary for 2020 or prior years that is not lodged by January 2021 will need to be submitted on TPOS using the new Excel/CSV template available here https://www.frcs.org.fj/our-services/taxpayer-online-service-tpos/tpos-forms/.

2.   **2021 Processes**

From February 2021, the PAYE return lodgment process will be available on TPOS. The new process allows employers to update pay information as and when their normal pay is processed i.e. weekly, fortnightly or for any other pay period. Employers opting to use this method can prepare their January files using the Payday Excel template available on https://www.frcs.org.fj/our-services/taxpayer-online-service-tpos/tpos-forms/.

Following the implementation of PAYE on TPOS, the January 2021 files can be uploaded onto the system as a single file. From February 2021 onwards, employers will be able to update information for each pay period on TPOS. The new system follows chronological filing thus employers will not be able to lodge their current month's returns unless prior returns are filed.

The employers' current periodical filing obligations will continue in the new system. If you are currently filing one Employer Monthly Summary (EMS) you will continue with the same on TPOS. However, if you are filing more than one EMS, you will be required to file two (Confidential and Non-Confidential).

3.   **Updating Employee Information on TPOS**

If any employee record in your file is not updated with FRCS, the entire file will not be accepted. Hence, employers must ensure that their employees update their information on TPOS. For more information on sign up please refer to https://www.frcs.org.fj/wp-content/uploads/2020/10/Final-Draft-Public-Notice-Information-Update-2.pdf.

4.   **What's Different on TPOS**

The new check on TPOS that is different to the current EMS process is the employee 'TIN and Date of Birth' match. FRCS is working with employers to validate the Employee Name, Taxpayer Identification Number (TIN) and Date of Birth of all their

employees. Employers who have not sent in their completed Excel documents need to email it at the earliest to payevalidation@frcs.org.fj.

The payroll vendors, who have configured their systems for the new PAYE pay day reporting are reminded to send their test files to us on payefinal@frcs.org.fj.

You can access PAYE tutorial and webinar videos on these links for more information https://www.frcs.org.fj/our-services/taxpayer-online-service-tpos/tpos-tutorial-videos/ and https://www.frcs.org.fj/our-services/taxpayer-online-service-tpos/webinar-sessions/.

For PAYE queries e-mail on info@frcs.org.fj, contact our Call Center on 1326 or visit the nearest FRCS Office.