



Know more about Employment Incentives

The Fijian Government offers various tax and customs incentives to encourage investments that will ultimately create employment opportunities as well as result in economic growth and prosperity for all Fijians.

In this week's Tax Talk, we will look at employment incentives available following the amendments to the Income Tax (Employment Incentives) Regulations 2016 and the announcement of the COVID-19 Response Budget on 26th March 2020.

Employment tax incentives provide deductions for cost incurred in providing employment opportunities and enhancing skills of the Fijian workforce.

Employment Incentives Available

The Income Tax Act 2015 provides for a number of employment incentives through the Income Tax (Employment Incentives) Regulations 2016.

The incentives provided are aimed at:

1. Developing the labor market for:
 - First time employees;
 - Work placements; and
 - Part time workers
2. Providing opportunities for:
 - Persons with disabilities
3. Promotes and assists with:
 - Employee development
4. Recognizes and provides support for:
 - Family care leave;
 - Paternity leave; and
 - Employees affected by COVID-19.

In order to avail employment incentives, applications must be made to the Chief Executive Officer (CEO) of the Fiji Revenue and Customs Service (FRCS).

1. First-Time Employees

This applies to new full time employees in the first 12 months of their employment provided that it is the individual's first employment and he/she must not be paid less than the minimum wage rate for the industry or sector the employee is employed under. Where the conditions are met, the employer is entitled to the following:

- 150% tax deduction for the amount of salary/wages paid to new employees hired from January 1 1997 and July 31 July 2016; and
- 300% of salary or wages paid between 1 August 2016 and 31 December 2023.

The deduction is also restricted to the salary and wages paid to the first time employee in respect of the 12-month period commencing from the date of appointment of the employee. This also means that the

deduction can only be claimed once per employee.

An employee that has engaged in part time or casual work previously would still qualify as a first time employee if the employment is the first official employment of the employee.

The incentive will not be available where the employers have engaged in scheming mechanisms to abuse the incentive. In order to address the possible scheming, the Regulations provide the CEO of FRCS the discretion to grant the deduction only if the CEO is satisfied that the employer has not terminated the employment of any qualifying employee in order to take advantage of the deduction.

However, if the first time employee resigns voluntarily or the employment is terminated for genuine reasons, the incentive would still be available to the employer.

2. Work Placements

An employer is allowed 300 % tax deduction for the amount of salary or wages paid to a student on a work placement for a period not exceeding 6 months in a 12-month period.

The deduction is available:

- if the salary or wages is paid to the student before his or her graduation;
- if the employment forms part of the student's course requirements of a higher education institution as defined in the Higher Education Act 2008; and
- if it is claimed between 1 August 2016 and 31 December 2023.

In order to qualify for the incentive, the employer must provide confirmation from the student's higher education institution on the course requirements of the student.

This incentive, unlike the incentive for the first time employee, may be claimed over a number of 12-month period.

3. Part Time Workers

An employer can claim 300% of the amount of salary/wages paid for employment of a student for a period not exceeding 3 months in a 12-month period.

This deduction is available if the employment is in an area related to the student's area of study and must be claimed between 1 August 2016 and 31 December 2023.

In order to qualify for the incentive, the employer must provide documentary evidence with the application including confirmation from the student's school or institution on the student's area of study and a statutory declaration from the employer confirming that scope of work carried on by the student. This incentive may be claimed over a number of 12-month period.

4. Persons with Disabilities

An employer is allowed a deduction of 400% of the amount of any salary or wages paid for employment of a person with a disability for a consecutive period of 3 years for the employee.

The incentive is available if the person with disability has been or will be employed for a consecutive period of 3 years. In the event that the person with disability is unfairly dismissed by the employer, any deductions previously claimed under this incentive will be recovered.

This deduction is only available if it is claimed between 1 August 2016 and 31 December 2023.

The employer's application for registration must be supported by a medical certificate explaining the nature of the disability.

5. Employee Development

An employer can claim 150% of the amount of any education fees paid for an employee to study during the course of his or her employment.

This deduction is available only if the employee is required to work for the employer for a minimum of one year upon the completion of the employee's study which includes individual units or courses that the employee may undertake.

The incentive is also available for the amount paid for training of employees, provided that the trainer

is approved by the FRCS CEO.

The deduction is available if the employees undertake certain courses or trainings such as certificates, diplomas, degree and post graduate programs (including specialized training programs) with a tertiary or vocational institution.

Moreover, the incentive applies to when an employer engages a trainer to train or upskill its employees. This may be evident in cases where the employee hires a specialized trainer to train their staff on a particular subject or matter, such as OHS training, first aid training, or even subject matters which relates to the taxable activity of the employer.

6. Family Care and Paternity Leave

Effective from 1 January 2019, employers are allowed to claim 150% of the amount of any salary or wages paid to an employee on family care or paternity leave.

7. Employees Affected by COVID -19

From 1st April 2020 to 31st December 2020, an employer is allowed a deduction of 300% of the amount of salary or wages paid to an employee affected by COVID-19.

The incentive is only available if:

- the employee is required by the Ministry of Health and Medical Services to be quarantined including self-quarantined for the duration of the quarantine period; and
- the deductions available for family care leave has expired or has been utilised.

The employer must utilise any available family care leave deduction first for the quarantine period before the employer can utilise this deduction.

For more information and feedback, please email on info@frcs.org.fj.

For further clarifications, please refer to Standard Interpretation Guideline available on FRCS website: <https://www.frcs.org.fj/wp-content/uploads/2021/02/SIG-2020-07-Employment-Taxation-Scheme-COVID-19-.pdf>.

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