FIJI REVENUE AND CUSTOMS SERVICE

STANDARD INTERPRETATION GUIDELINE 2024-01

INCOME TAX (RATES AND LEVIES) REGULATION 2016 - TAX RATES FOR COMPANIES AND TRUSTEES

This Standard Interpretation Guideline (SIG) sets out Fiji Revenue and Customs Service's (FRCS) policy and operational practice in relation to the 2023/2024 Budget change in the Corporate Income Tax (CIT) rates.

It is issued with the authority of the Chief Executive Officer (CEO) of FRCS.

All legislative references in this SIG are to the Income Tax Act 2015 and its Regulations (unless otherwise stated)

This SIG is in effect from 1 August 2023 and may need to be reviewed in the event of any relevant legislative amendments.

CONTENT

PURPOSE

1. The purpose of this Standard Interpretation Guideline (SIG) is to provide practical guidance on CEO's interpretation of the increase in income tax rates for non-individuals introduced as part of the 2023-2024 National Budget Amendments for Income Tax.

INTRODUCTION

2. The Income Tax (Rates of Tax and Levies) Regulations 2016 has been amended to increase the income tax rates.

3. The new tax rates for entities that are treated as companies for tax purposes are:
   - 25% for all companies, except those subject to 15% tax;
   - 15% for companies listed on the South Pacific Stock Exchange (SPX) until the end of the company's 7th year from the date of listing.

4. The tax rate for trustees of a trust or a trustee of an estate of a deceased person, in respect of undistributed profits, has also increased from 20% to 25%.

5. The new rates are effective from the tax year 2023.

6. The examples used throughout this SIG are merely illustrative. They do not cover the infinite number of factual scenarios that may arise. The relevant legislative provisions must be considered and applied to each case on its particular facts.

   That is, conclusions should not be drawn by determining whether the facts of a particulars case may be analogous with particular examples, but rather on the basis of applying the correct tests established by the law.

7. The full text of the legislative provisions is contained in the Appendix.

LEGISLATIVE ANALYSIS

Policy Intention

8. The budget amendments for the tax rates[1] are as follows:

Budget Amendment	New CIT Rates
Companies listed on SPX for 7 years or less until the end of its tax year 2022.	10%
Companies listed on SPX until the end of its 7th year from the tax year 2023.	15%
Any other company including companies listed on SPX for more than 7 years from the tax year 2023.	25%
A trustee	25%

[1] Legal Notice No. 55 – Government of Fiji Gazette No.21 2023

Effective Date

9. The new tax rate is effective from the tax year 2023.[2] This means that companies will start paying 25% or 15% tax on chargeable income from the 2023 tax year (which is usually a 12-month period). The table below may be used as a guide to determine the tax year and applicable corporate tax rates.

Commencement Date	**Ending Date**	**Tax Year**	**Tax rate for companies**	**Tax rate for SPX listed companies**
1st January 22	31st December 22	2022	20%	10%
1st February 22	31st January 23	2022	20%	10%
1st March 22	28th February 23	2022	20%	10%
1st April 22	31st March 23	2022	20%	10%
1st May 22	30th April 23	2022	20%	10%
1st June 22	31st May 23	2022	20%	10%
1st July 22	30th June 23	2022	20%	10%
1st August 22	31st July 23	2023	25%	15%
1st September 22	31st August 23	2023	25%	15%
1st October 22	30th September 23	2023	25%	15%
1st November 22	31st October 23	2023	25%	15%
1st December 22	30th November 23	2023	25%	15%
1st January 23	31st December 23	2023	25%	15%
1st February 23	31st January 24	2023	25%	15%
1st March 23	28th February 24	2023	25%	15%
1st April 23	31st March 24	2023	25%	15%
1st May 23	30th April 24	2023	25%	15%
1st June 23	31st May 24	2023	25%	15%
1st July 23	30th June 24	2023	25%	15%

Rates for Companies and Trustees

10. Prior to the 2023-2024 Budget amendments, chargeable income of companies not listed on SPX and trustees were subject to 20% tax.

11. From the tax year 2023, there is a 5% increase so the new tax rate is 25%.

12. Example 1

XCo's financial period begins on 1 August and ends on 31 July.
This 12-month period is also its tax year for income tax purposes.
The tax rates are as follows:

- Tax year 2022 (01/08/2021 - 31/07/2022) - 20%
- Tax year 2023 (01/08/2022 - 31/07/2023) - 25%

[2] Legal Notice No. 55 – Government of Fiji Gazette No. 21 2023

13. Example 2

YCo's financial period begins on 1 October and ends on 30 September.
This 12-month period is also its tax year for income tax purposes.
The tax rates are as follows:

- Tax year 2022 (01/10/2021 - 30/09/2022) - 20%
- Tax year 2023 (01/10/2022 - 30/09/2023) - 25%

14. Example 3

XYCo's financial period begins on 1 April and ends on 31 March.
This 12-month period is also its tax year for income tax purposes.
The tax rates are as follows:

- Tax year 2022 (01/04/2022 - 31/03/2023) - 20%
- Tax year 2023 (01/04/2023 - 31/03/2024) - 25%

15. Example 4

ZYCo's financial period begins on 1 May and ends on 30 April.
This 12-month period is also its tax year for income tax purposes.
The tax rates are as follows:

- Tax year 2022 (01/05/2022 - 30/04/2023) - 20%
- Tax year 2023 (01/05/2023 - 30/04/2024) - 25%

Companies listed on the South Pacific Stock Exchange (SPX)

16. Prior to the 2023-2024 National Budget amendments, a company that had been listed for less than 7 years was subject to the reduced tax rate of 10%.

17. From the tax year 2023, listed companies that qualify for a reduced tax rate for 7 years, will be subject to the new rate of 15%.

18. Any company that has been listed on the stock exchange for more than 7 years will be subject to the new tax rate of 25% from the tax year 2023.

19. Example 5

Z Co's tax year is April to March. Z Co was listed on the SPX in 2020 and qualifies for a reduced tax rate for 7 tax years.
What is the tax implication of the budget amendments on Z Co.?

CEO's position: Z Co has been listed for less than 7 years on the SPX; hence, the reduced rate will continue from the tax year 2023 at the new rate of 15%. The new reduced rate will apply till the end of the company's 7^{th} tax year.

Subsequently, the 25% tax rate will apply from the 8^{th} year (2027) onwards.

Year	Financial Period	Tax Year	Tax Rate
1	1 April 2020 – 31 Mar 2021	2020	10%
2	1 April 2021 – 31 Mar 2022	2021	10%
3	1 April 2022 – 31 Mar 2023	2022	10%

4	1 April 2023 – 31 Mar 2024	2023	15%
5	1 April 2024 – 31 Mar 2025	2024	15%
6	1 April 2025 – 31 Mar 2026	2025	15%
7	1 April 2026 – 31 Mar 2027	2026	15%
8	1 April 2027 – 31 Mar 2028	2027	25%
9	1 April 2028 – 31 Mar 2029	2028	25%

20. Example 6

XCo had been listed on the SPX for 10 tax years.

What is the consequence of the budget amendment on XCo?

CEO's position: As XCo. has been listed on the SPX for more than 7 tax years, the reduced tax rate will not apply from the company's 2023 tax year and the tax rate will be 25%.

21. For more information and clarification in regard to this SIG, emails may be forwarded to tipu@frcs.org.fj

ACT NO. 5 OF 2023

I assent.

W. KATONIVERE
President

[14 July 2023]

AN ACT

TO AMEND THE INCOME TAX ACT 2015

ENACTED by the Parliament of the Republic of Fiji—

Short title and commencement

1.—(1) This Act may be cited as the Income Tax (Budget Amendment) Act 2023.

(2) This Act comes into force on 1 August 2023 except—

(a) section 7 which is deemed to have come into force on 1 July 2023; and

(b) sections 2, 3, 5, 6 and 8 to 11 which come into force on 1 January 2024.

(3) In this Act, the Income Tax Act 2015 is referred to as the "Principal Act".

[LEGAL NOTICE NO. 55]

INCOME TAX ACT 2015

Income Tax (Rates of Tax and Levies) (Amendment) Regulations 2023

IN exercise of the powers conferred on me by section 142 of the Income Tax Act 2015, I hereby make these Regulations—

Short title and commencement

1.—(1) These Regulations may be cited as the Income Tax (Rates of Tax and Levies) (Amendment) Regulations 2023.

(2) These Regulations comes into force on 1 August 2023 except for regulation 3*(a)* which comes into force on 1 January 2024.

(3) In these Regulations, the Income Tax (Rates of Tax and Levies) Regulations 2016 is referred to as the "Principal Regulations".

Regulation 10 amended

2. The Principal Regulations are amended by deleting regulation 10 and substituting the following—

"*Savings and transitional for companies listed on the South Pacific Stock Exchange*

10.—(1) The tax rate of 10% applicable to a company listed on the South Pacific Stock Exchange for 7 years or less applies until the end of the company's tax year 2022.

(2) The tax rate of 15% applies to a company listed on the South Pacific Stock Exchange until the end of the company's 7th tax year from the date of listing.

(3) The tax rate of 25% applies to a company from the company's tax year 2023, provided that the company has been listed on the South Pacific Stock Exchange for more than 7 tax years.".

Schedule amended

3. The Schedule to the Principal Regulations is amended by—

(a) deleting paragraph 1 and substituting the following—

"(1) The rates of Income Tax for individuals are—

Resident Individuals

Chargeable Income $	*Income Tax $*
0 – 30,000	Nil
30,001 – 50,000	18% of excess over $30,000
50,001 – 270,000	$3,600 + 20% of excess over $50,000
270,001 – 300,000	$47,600 + 33% of excess over $270,000
300,001 – 350,000	$57,500 + 34% of excess over $300,000

Chargeable Income $	*Income Tax $*
350,001 – 400,000	$74,500 + 35% of excess over $350,000
400,001 – 450,000	$92,000 + 36% of excess over $400,000
450,001 – 500,000	$110,000 + 37% of excess over $450,000
500,001 – 1,000,000	$128,500 + 38% of excess over $500,000
1,000,001 +	$318,500 + 39% of excess over $1,000,000

Non-resident Individuals

Chargeable Income $	*Income Tax $*
0 – 30,000	20% of excess over $0
30,001 – 50,000	$6,000 + 20% of excess over $30,000
50,001 – 270,000	$10,000 + 20% of excess over $50,000
270,001 – 300,000	$54,000 + 33% of excess over $270,000
300,001 – 350,000	$63,900 + 34% of excess over $300,000
350,001 – 400,000	$80,900 + 35% of excess over $350,000
400,001 – 450,000	$98,400 + 36% of excess over $400,000
450,001 – 500,000	$116,400 + 37% of excess over $450,000
500,001 – 1,000,000	$134,900 + 38% of excess over $500,000
1,000,001 +	$324,900 + 39% of excess over $1,000,000

";

(b) in paragraph 3—

(i) in subparagraph *(b)*, deleting "10%" and substituting "15% for tax year 2023 onwards"; and

(ii) in subparagraph *(c)*, deleting "20%" and substituting "25% for tax year 2023 onwards"; and

(c) in paragraph 4, deleting "20%" and substituting "25% for tax year 2023 onwards".

Made this 31st day of July 2023.

M. S. N. KAMIKAMICA
Deputy Prime Minister and
Acting Minister for Finance