



Flash report

FIJI ISLANDS

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Issue 1

On 15 January 2009 the Fiji Islands Revenue and Customs Authority (FIRCA) announced changes to FIRCA’s Practice Statement No. 30 which provides the valuation of benefits for the purposes of determining Pay-As-You-Earn tax to employees in respect of these benefits.

This flash report highlights the changes to Practice Statement No. 30, which is retrospectively effective from 1 January 2008.

The key changes to the Practice Statement No. 30 include:

- Revision of ratios to 1/8 or 1/9 in the calculation of accommodation benefit.
- New maximum remuneration threshold at \$113,000 for the purposes of calculating accommodation benefit.
- Revised percentages for the progressive calculation of accommodation benefit where quarters is owned by the employer.
- Revised meals and accommodation benefit values for hotel managers and executive staff.

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A) Motor vehicle benefit

No changes have been made to the valuation of motor vehicle benefit which remains as below.

The taxable benefit to an Employee arising from the private use of a motor vehicle (whether owned or leased by the Employer) is calculated as follows:

<i>Motor vehicle engine capacity</i>	<i>Taxable value of benefit per annum</i>
• Under 1800cc	• \$2,624
• 1800cc and upto 1999cc	• \$3,110
• 2000cc and over	• \$3,832
• Irrespective of engine capacity, where cost exceeds \$71,600, with duty free vehicles determined at ex-showroom prices	• \$3,832 + 10% (Cost - \$71,600)

The above valuation also applies where a motor vehicle is provided to a shareholder or director of a company, or to a relative of a shareholder or director.

Where an Employee receives a cash allowance in lieu of a motor vehicle, the taxable value of the benefit shall be the amount of the allowance.

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B) Housing benefit

The housing benefit valuations have been changed with the application of the ratios of 1/5 and 1/6 reverting to the previous ratios of 1/8 and 1/9 to calculate the value of taxable benefit. In addition, the benefit shall be calculated on salaries up to the maximum of \$113,000 (and salaries in excess of \$113,000 shall not be taken into account in calculating the benefit).

The revised taxable benefit to an Employee arising from free, or partially free housing or quarters is calculated as follows:

<i>Housing/Quarters</i>	<i>Taxable value of benefit per annum</i>
<ul style="list-style-type: none"> • Furnished housing/quarters • Unfurnished housing/quarters • Standard quarters supplied to a large number of Employees • Employer's business is located 15 kilometres away from any town or city centre, and the Employee is housed near the business • Housing/quarters rented by the Employer 	<ul style="list-style-type: none"> • 1/8 of salary (up to \$113,000) less rent paid by the Employee • 1/9 of salary (up to \$113,000) less rent paid by the Employee • 1/8 or 1/9 of salary (up to \$113,000) reduced by 1/3, less rent paid by the Employee • 1/8 or 1/9 of salary (up to \$113,000) reduced by 1/3, less rent paid by the Employee • Actual rent paid less rent paid by the Employee, or; any one of the above determined values; whichever is less

Where the above valuation is reduced by any rent paid by the Employee and results in a nil or negative value, accordingly the taxable benefit is nil.

Where an Employee receives a cash allowance in lieu of free housing or quarters, the taxable value of the benefit shall be the amount of the allowance.

C) Housing benefit to shareholder/director

The housing benefit valuations to shareholder/director in respect of housing owned by the Employer have been changed with the application of 11%, 12% and 13% reverting to the previous 9%, 10% and 11% to calculate the value of taxable benefit.

The revised taxable benefit to a Shareholder or Director of a company or a family owned company, or a relative of the Shareholder or Director, arising from free, or partially free housing is as calculated follows:

<i>Housing/Quarters</i>	<i>Taxable value of benefit per annum</i>
<ul style="list-style-type: none"> • Housing/quarters rented by the Employer • Housing/quarters owned by the Employer 	<ul style="list-style-type: none"> • Actual rent paid less rent paid by the Shareholder/Director Calculated progressively as follows: <ul style="list-style-type: none"> • 9 % of cost upto \$70,000 • \$6,300 plus 10 % of cost between \$70,000 and \$100,000 • \$9,300 plus 11 % of cost in excess of \$100,000 less rent paid by the Shareholder/Director

Where the value of benefit calculated above (paragraph C) is less than the value of benefit calculated under paragraph B, then the taxable benefit shall be taken as 1/8 or 1/9 of salary.

Where the above valuation is reduced by any rent paid by the Shareholder or Director and results in a nil or negative value, accordingly the taxable benefit is nil.

D) Accommodation/meals to hotel managers and executive staff

The revised taxable benefit to a Hotel Manager or an Executive Staff arising from free meals and accommodation is calculated as follows:

<i>Accommodation/meals</i>	<i>Taxable value of benefit per annum</i>
<ul style="list-style-type: none"> • Meals <ul style="list-style-type: none"> ◊ Employee and spouse ◊ Child between 0 and 4 years ◊ Child between 5 and 12 years ◊ Child between 13 and 18 years ◊ Child 18 years and over • Accommodation <ul style="list-style-type: none"> ◊ Hotel room ◊ Housing/quarters rented by Employer ◊ Housing/quarters owned by Employer 	<ul style="list-style-type: none"> • Revised \$4,720 per person (previously \$7,665 per person) • Revised nil per child (previously \$1,916 per child from 1 to 5 years) • Revised \$1,770 per child (previously \$2,575 per child from 6 to 15 years) • Revised \$2,575 per child (previously \$2,575 per child from 6 to 15 years) • Revised \$4,720 per child (previously \$3,832 per child over 16 years) • Revised to 25% of contract rate, which is the lowest room rate given to a wholesaler for a package, or the rate used for the monthly rental of the room (where previously the market rate applied). • Revised as follows (where previously the actual rent paid applied): <ul style="list-style-type: none"> ◊ 20% of rent paid, irrespective of whether or not the family resides on site. ◊ Nil, where the employee is on call. This is applicable only in respect of temporary accommodation. Normal rates apply where an employee is entitled to permanent accommodation. • Calculated progressively at revised percentages (where previously 10%, 11% and 12% applied) as follows: <ul style="list-style-type: none"> – 9 % of cost upto \$70,000 – \$6,300 plus 10 % of cost between \$70,000 and \$100,000 – \$9,300 plus 11 % of cost in excess of \$100,000 less rent paid by the Employee

The above value of benefits may be calculated on a pro-rata basis depending on the number of meals consumed per day and accommodation usage.

It is clarified that where an employee is entitled to purchase goods from a hotel's bulk store free of charge, the taxable value of benefit will be the VAT exclusive cost of the goods.

E) Subordinate staff living in hotel premises

No changes have been made to the valuation of taxable benefit to subordinate hotel staff such as waiters, cooks, maids etc arising from free meals and accommodation, as calculated below. However, it is clarified that where quarters is allocated to more than one person, the taxable value is apportioned between the number of employees sharing the residence.

<i>Accommodation/meals</i>	<i>Taxable value of benefit per annum</i>
<ul style="list-style-type: none"> • Meals • Accommodation 	<ul style="list-style-type: none"> • \$1,067 • \$610

No changes have been made to the valuation of benefits in respect of the following categories from (F) to (L) which remain as follows:

F) Rations and quarters for seafaring employees

The taxable benefit to seafaring employees as is calculated as follows:

<i>Vessel</i>	<i>Taxable value of benefit per annum</i>
• Overseas vessels	• \$1,607
• Inter-island cargo vessels	• \$643
• Inter-island tourist vessels	• \$1,071

The above value of benefits may be calculated on a pro-rata basis depending on the number of rations consumed per day and quarters usage.

G) Subsidised or free travel

The taxable benefit to employees, or their relatives, in respect of free or subsidised travel is calculated as follows:

<i>Travel benefit</i>	<i>Taxable value of benefit per annum</i>
• Free travel	• 40% of the value of standard economy fares at the time of travel
• Discounted travel	• 40% of the value of standard economy fares at the time of travel, less amount paid by Employee
• Cost of passage borne by Employer	• Actual cost to Employer

The travel benefit provided to relatives of employees should be assessed to the Employee. A relative of an Employee includes any blood relative or associates.

H) Interest benefit on loans at discount rate

The taxable benefit to employees receiving loans at a rate of interest lower than the prevailing market lending rate shall be the difference between the amount of interest actually paid and the amount that would have been payable had the market lending rate been charged.

The market lending rate shall be determined by the CIR in consultation with the Governor of the Reserve Bank of Fiji.

For the year 2008 the market lending rate is set at 8.5%.

I) Discount on purchase from Employer

The taxable benefit to employees receiving discount on purchasing items which form part of the stock-in-trade of Employers shall be the amount of the discount, being the difference between the retail price and the amount actually paid.

J) Excess contribution to FNPF or other superannuation scheme

The taxable benefit to employees where the Employer's contribution to the Fiji National Provident Fund (FNPF) is in excess of the statutory minimum, currently 8%, shall be the amount paid in excess.

K) Insurance

The taxable benefit to employees where the Employer enters into a scheme with an insurer to provide health cover to the employees, shall be the insurance premium paid by the Employer. Hence the taxable value of benefit to each employee shall be the amount of premium paid divided by the number of employees covered by the policy.

L) Other benefits

The taxable value of benefits of free water, electricity, telephone, gas, children's school fees, insurance premiums, reimbursed education or medical expenses and similar benefits, is the actual cost to the Employer in providing the benefit.

Entertainment allowance not expended for the purposes of business is a taxable benefit, assessed at 50% of the actual expenditure in the absence of proper records to account for business expenditure.

Employees given mobile phones shall be assessed at 50% of actual expenditure being taxable benefit, where the Employer has not made satisfactory arrangements for private use.

Employees' or Directors' club memberships paid by the Employers shall be assessed at 50% of actual expenditure being taxable benefit.

Employees receiving any cash grant in lieu of any benefits shall be assessed on the full amount being taxable benefit.

SUVA**Partners:**

**Michael Yee-Joy
Bruce Sutton
Lisa Apted
Renu Chand**

Snr Managers:

**Annie Yuen
Anare Manulevu**

Managers:

**Daphne Fong
Lei Zhang
Thomasina Ah Ben**

Phone:

(679) 330 1155

Fax:

(679) 330 1312

LAUTOKA**Partner:**

Robert Cohen

Director:

Elizabeth Powell

Snr Managers:

David Veremo

Managers:

**Yvonne Tunidau
Zirus Zuber
Shruti Singh**

Phone:

(679) 666 1199

Fax:

(679) 666 5188

IMPORTANT

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