



# Flash report

19 July 2017

Issue 15

**This flash report is issued to highlight the public notice from Fiji Revenue and Customs Authority (FRCA) on the repeal of the Dividend Taxation Regime and Deemed Dividend provisions and the imposition of 1 percent transitional tax on pre-2014 profits after tax**

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### Dividend Taxation Regime

On 14 July 2017 FRCA issued a public notice on the tax policy changes to the Dividend Regime as announced by the Minister of Economy in the 2017/2018 Budget on 29 June 2017. The Bill in respect of the Dividend Regime is currently tabled in Parliament and is yet to be gazetted

FRCA advises that the purpose of the tax policy changes to the Dividend Regime are to close the chapter on dividend taxation so that effectively there is only one layer of taxation (i.e. a competitive 20 percent corporate tax rate)

The following tax policy changes on dividend taxation has been made and are provided in the public notice:

- The Dividend Taxation Regime and the Deemed Dividend provisions have been repealed from 29 June 2017. This provides for tax exemption on any dividends payable for the tax years 2016 and thereafter
- The 2014 and 2015 transitional tax of 1 percent will still be payable, if this has not yet been paid, on the balance of the profit after tax, for the respective years
- For the purposes of simplifying the taxation of dividend from pre-2014 profits after tax, the following changes take effect from 29 June 2017:
  - ◆ All undistributed profits including capital profits in the balance of retained earnings for the tax years pre-2014 (or equivalent substituted tax years prior to 2014 tax year) will be subject to 1 percent transitional tax
  - ◆ The 1 percent transitional tax is also applicable to companies registered in Fiji as Branches
  - ◆ The only exemption from the 1 percent transitional tax are those companies listed on the South Pacific Stock Exchange
  - ◆ The 1 percent transitional tax is a final tax and thereafter no further tax will be applicable on distribution of dividends from the same period and thereafter
  - ◆ The payment of the 1 percent transitional tax on pre-2014 profits after tax is due by 30 September 2017

- ◆ Failure to pay the transitional tax by the due date will incur a penalty of 25 percent of the amount of taxes due (under Section 44 of the Tax Administration Act 2009). An additional 5 percent penalty will be applicable on the amount of unpaid tax on each month of default

However the Bill (currently tabled in the Parliament and yet to be gazetted) in respect of the above amendment provides that where a company fails to pay tax on or before the due date is liable to a penalty of 75 percent (not 25 percent as per the public notice above) of the amount of unpaid tax

The form and instructions are accessible on <http://www.frca.org.fj/taxation-forms-2/>

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### IMPORTANT

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