Technical Update 4/2017
17 July 2017

This Technical Update provides an overview of the changes in the dividend tax regime and income tax rates for resident individuals

This Technical Update has been provided for general information purposes (based on the Bills before Parliament in the week of 10 July 2017, Public Notices issued by the Fiji Revenue and Customs Authority (FRCA) and our discussions with officials of the FRCA) for the benefit of clients of PwC and should not be used or relied upon as a substitute for detailed advice. We will appropriately issue further updates once the relevant legislation is gazetted.

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Please do not hesitate to contact us should you require any further information or clarification.

1. *Dividend Tax and Transitional Tax Going Forward*

Going Forward

- Dividend tax and deemed dividend provisions have been repealed.

  The Public Notice issued by the Fiji Revenue and Customs Authority ("FRCA") indicates that dividends distributed after 29 June 2017 from 2016 profits should no longer be subject to dividend tax.

- Net profits after tax ("NPAT") for 2014 and 2015 tax years continue to be subject to 1% Transitional Tax ("TT") as noted in the Income Tax Act 2015 and subsequent amendments.

- 1% TT is now also applicable on all undistributed profits including capital profits in the balance of retained earnings as at 29 June 2017 for the pre-2014 tax years (i.e. 2013 and prior tax years).

  The FRCA has yet to issue detailed guidelines on the calculation of pre-2014 NPAT for TT purposes.

- The dividend withholding tax payable on deemed dividends is no longer applicable.

Transitional Tax – New Provisions

- **Pre-2014 tax year** – 1% TT payable by 30 September 2017 on all undistributed profits including capital profits in the balance of retained earnings as at 29 June 2017 for the pre-2014 tax years.

- TT also applies to branches of foreign entities in Fiji.

- The FRCA Public Notice indicates that –

  - The 1% TT is a final tax and no further tax is applicable on the subsequent distribution of those profits as dividends.

  - Only companies listed on the South Pacific Stock Exchange are exempt from the 1% TT.

General

- The Income Tax (Budget Amendment) Bill 2017 ("Tax Bill") indicates that for the avoidance of doubt, any payment of tax prior to 30 June 2017 on the dividends distributed from the net profit after tax of a company for a tax year prior to 2014 is not refundable by the FRCA.

- While the FRCA Public Notice indicates that penalties of 25% will be imposed for the failure to pay the 1% TT by the due date, the Tax Bill indicates a penalty of 75%.

  Additional 5% penalty will be imposed on any amount unpaid for each month of default.

2. *Income Tax Rates*

- The income tax threshold for resident individuals has increased from $16,000 to $30,000. We understand that this change is effective from 1 August 2017. However, the relevant Regulations are not available yet.

- The increase in tax threshold results in the following tax saving for resident individuals:

Gross Income $	Overall tax saving $
16,500	35
20,000	280
25,000	960
Exceeding 30,000	1,860

- Non-resident individuals continue to be taxed at the rate of 20% from the first dollar of income.

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