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Littera

MEMBER INFORMATION & SNAPSHOTS OF KEY DEVELOPMENTS

HAVE YOU PAID YOUR MEMBERSHIP FEES YET?

Annual membership fees for the year 2016 are normally due and payable by 31st January 2016.
If you have still not paid your subscription yet, we urge you to please do so. Your support is vital so as to enable the Institute maintain and improve on its level of services that is provided.
For any enquiries, please feel free to contact the secretariat on 3305 807 or fia@connect.com.fj.

NEW MEMBERS JOIN COUNCIL

Rajeshwar Singh

Nitesh Lal

We are pleased to welcome two new members to the FIA Council. They are Mr Rajeshwar Singh and Mr Nitesh Lal. They were elected at the Institute's annual general meeting held in April to replace Mr Nouzab Fareed and Mr Uday Sen who retired.

Rajeshwar Singh

Rajeshwar Singh is currently the Chief Financial Officer of Bank of South Pacific (Fiji Branch). He was also FIA's Chartered Accountant of the Year for 2015.

A detailed profile on Rajeshwar was published in the December 2015 edition of the FIA

E-Journal. The E-Journal can be viewed or downloaded from FIA's website, www.fia.org.fj.

Nitesh Lal

Nitesh Lal is Chief Executive Officer at Dominion Finance Limited and has got more than 10 years of senior management experience. His prior appointments includes Manager Finance & Admin and IT at Fiji Television Limited and Head of Sky Pacific. He started his working career at Telecom Fiji Limited back in 2001.

Mr. Lal is a Chartered Accountant, member of CPA Australia and holds a MBA from University of Southern Queensland Australia. He also holds Bachelor of Arts Degree in Accounting & Financial Management and Information Systems from USP, Fiji.

Nitesh has achieved executive training from Australian Graduate School of Management (AGSM) and CFO Summit executive training in Singapore.

Rajeshwar and Nitesh brings a strong set of skills to the Council and we look forward to their services and contributions. We also cannot ignore the tremendous contributions made by outgoing Council members, Nouzab Fareed and Uday Sen. FIA sincerely thanks them for their services and wishes them all the best in their future endeavours.

ADMISSIONS

The Institute is pleased to welcome the following persons, who have been admitted to membership, in various different categories, in the month of April 2016:

CHARTERED ACCOUNTANT
AVISHAY ATUL RAJ - RENTOKIL INITIAL LTD

PROVISIONAL MEMBERS
PRIYA NEELAM DARSHANI - PWC
RIAZ KHAN - AIRPORTS FIJI LTD
BIMAL BIMLESH NARAYAN - PACIFIC DISABILITY FORUM
SHAROL SHIVANGI NARAYAN - FMF FOODS LTD
ATISH PATEL - VINOD PATEL & CO LTD
EMANNUAL SAMI - OAG

AFFILIATE ACCOUNTANTS
DIANA LEBA TABILAI AMAFALA - TFL
EZEK KRISHNEEL CHAND - PACIFIC CENTRECOM (FIJI) LTD
SHALVIN CHAND - DOMINION FINANCE LTD
NANDINI CHETTY - CJ PATEL & CO LTD
PRAVEEN LATA - USP
VIKA LUVENIYALI - FNPF
SHALESH SUMEET NAICKER - USP BOOK CENTRE
LUCRETIA ROXANNE ROSE PICKERING - DOMINION FINANCE LTD
ARTI ARTIKA PRASAD - DOMINION FINANCE LTD
BAI VITO RABALI - FNPF
RITESH RAVINIT - USP BOOK CENTRE

TECHNICAL WORKSHOP 22 – 23RD July

Key Topics:
Global Trends in Tax law, Policy & Administration
Leases
IFRS 15 – Revenue from Contracts
Managing the Heat

Venue:
The Fijian Resort & Spa.

CPE Hours:
6.5 Hours

An event not to be missed as we cover new changes to Standards.

Fees paid are "GRANT CLAIMABLE"

"Register Now"

FIA E-Journal

The e-Journal of the institute is published twice yearly, in June and December. We welcome articles of interest from any of our readers including academics who may wish to have their work published to our membership. The articles must be relevant to the profession.
The publication of any article would be subject to approval of the Communications Committee of the Institute (the editorial team). The article may be edited to meet space limitations.
Please email your articles to the secretariat on: fia@connect.com.fj.

BUSINESS TALK

For the benefit of our members, we will bring to you at least one article of interest on a relevant accounting topic in every issue of Littera. In this issue we talk to you about 'Intangible Assets' from a tax point of view. We acknowledge and thank FRCA for providing us the article below.

AMORTIZATION FOR INTANGIBLE BUSINESS ASSETS

1. What is the purpose of this new provision?

This is a tax incentive to assist businesses make a deduction on intangible business assets. It recognizes that intangibles are just as important asset as plant and equipment, and therefore provide for capital right off of intangibles as well as tangibles. Prior 2016, businesses were only able to claim depreciation deduction on tangible assets like plant, equipment, machinery; however, effective 1 January 2016, businesses will be able to amortize intangible business assets.

2. What is a Business intangible?

Business intangible is an intangible asset or expenditure that loses value over its useful life as it is used to derive taxable business income. As with depreciable assets, the cost of a business intangible is deducted over the useful life of the intangible rather than as an outright deduction in the year the cost is incurred. This allocates the cost of the intangible to the tax years in which it is consumed in deriving taxable business income.

3. How do we determine a business intangible asset?

An intangible asset must satisfy the following conditions – (a) the intangible asset has a limited useful life; (b) the intangible asset must be, wholly or partly, used to derive taxable business income (i.e. business income included in gross income).

4. How about intangible assets with unlimited life? An intangible asset with an unlimited useful life for financial accounting purposes is not a business intangible. An intangible asset with an unlimited useful life is not amortised for financial accounting purposes but, rather, is tested annually for impairment. Only intangible assets that have a limited useful life are amortised for both financial accounting and income tax purposes. This means, for example, that goodwill is not a business intangible. This is because goodwill does not have a limited useful life. Thus, goodwill is an intangible asset for the purposes of the Act (and, therefore, subject to capital gains tax) but not a business intangible. All intangible assets are included as capital assets.

5. So how do we determine the allowable deduction for amortization?

The new Income Tax Act allows a deduction for the decline in value of a person's depreciable assets through use in deriving amounts included in gross income during the tax year. It also allows a deduction for the decline in value of a person's business intangibles through use in deriving amounts included in taxable business income during the tax year. These deductions effectively allocate part of the capital cost of depreciable assets and business intangibles to a tax year.

6. What Business Intangibles would be allowed a deduction for amortisation purpose? A deduction is allowed for the decline in value of a business intangible for a tax year only if the decline in value has occurred during the year through the use of the intangible in deriving business income included in gross income. The following are some business intangibles:
(a) A copyright, patent, design or model, plan, secret formula or process, trademark, or other like property or right used to derive business income included in gross income.
(b) Contractual rights (including rights arising as a result of a prepayment of expenses) with a benefit for a period of more than one year used to derive business income included in gross income.
(c) A customer list, distribution channel, or unique name, symbol, or picture, or other marketing intangible to derive business income included in gross income.
(d) Expenditure incurred to derive business income included gross income when the expenditure provides an advantage or benefit for a period of more than one year, other than expenditure incurred to acquire any tangible personal or real property.
(e) A fine, premium, or other capital amount paid or payable upon grant or transfer of a lease of land or a structural improvement to land provided the land or structural improvement is wholly or partly used to derive business income included in gross income. Also included is expenditure incurred pursuant to an obligation to effect improvements to land or to a structural improvement to land, provided the land or structural improvement is wholly or partly used to derive business income included in gross income.
(f) Pre-commencement expenditure. This is any expenditure incurred before the commencement of a business if the income to be derived by the business will be wholly and exclusively included in business income included in gross income, other than expenditure incurred in acquiring real property, a depreciable asset or an intangible.

7. How do we calculate amortization for an intangible business asset?

Amortisation deductions for business intangibles are computed on a straight-line basis. Amortization is calculated by applying the rate of amortization against the cost of the business intangible. The rate of amortisation for pre-commencement expenditure is 25%. The rate of amortisation of a business intangible that has a useful life of more than ten years is 10%. This is particularly relevant for business intangibles that are industrial and intellectual property rights that are recognised under statute for more than 10 years. This, in effect, puts a ceiling on the write off period for business intangibles of ten years. The rate of amortisation of a business intangible that is:
(a) fine, premium, or other capital amount paid or payable upon grant or transfer of a lease of land or a structural improvement to land or
(b) expenditure incurred pursuant to an obligation to effect improvements to land or a structural improvement to land the subject of a lease,
is the 100% divided by the term of the lease.

Example 1: If the lease is for a term of 5 years, the amortisation rate is 20%. (100% ÷ 5)

Example 2: B pays A $100,000 as consideration for being appointed the exclusive distributor of A's products in Fiji for four years. The agreement is entered into on January 1, 2016. The rights acquired by B under the distribution agreement are a business intangible. Under generally accepted accounting principles, the useful life of the business intangible is four years (i.e. the term of the agreement) and, therefore, the amortisation rate is 25%. B is allowed an amortisation deduction of $25,000 ($100,000 x 25%) for each of the 2015, 2016, 2017 and 2018 tax years.

Example 3: Suppose, instead, that the term of the agreement is 12 years. The intangible is deemed to have a useful life of ten years and, therefore, the amortisation rate is 10%. B is allowed an amortisation deduction of $10,000 ($100,000 x 10%) for each of the first ten tax years of the agreement.

8. What if the intangible business asset was partly used?

If an intangible asset is used only partly to derive taxable business income, then the amortisation deduction will be apportioned.

Example, if the term of the agreement is 12 years, amortisation deductions are allowed only for the first ten years (as the amortisation rate is 10%). At the end of the tenth year, the cost of the intangible has been completely amortised.

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