



DRAFT

## TAX COMPLIANCE GUIDANCE MATERIAL – JULY 2021 MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)

Fiji Revenue and Custom Services (FRCS) registers and creates a Tax Identification Number (TIN)<sup>1</sup> for a business owner (Taxpayer) after a business has been registered with Registrar of Companies (ROC). It is strongly recommended that a business also registers itself on FRCS Taxpayer Online Service (TPOS) portal<sup>2</sup>.

The portal will enable the business to access the various online services, including registering itself for the various tax types<sup>3</sup>.

Once a business receives a TIN, the onus is on the tax payer to register for the relevant tax types.

### (i) Income tax

It is compulsory for a business of any type to file income tax returns annually.

A Company is required to:

- Lodge form IRS204<sup>4</sup> and the Company's financial statements<sup>5</sup> within three months of the end of the agreed taxation year (balance date) with FRCS or apply for an extension of time to file the returns under the Tax Agent Lodgment Program (TALP)<sup>6</sup>;
- Pay corporate income tax of 20% on the net chargeable/net business income for unlisted companies;
- Make advance payments of income tax based on the previous year's assessed net income and these are payable in nine instalments<sup>7</sup> beginning on the 6<sup>th</sup> month of financial year, monthly thereafter up till the end of 2<sup>nd</sup> month of the following tax year.

Net chargeable/net business income is calculated on the accounting profit of the business +/- adjustments for deductions allowed for any expense wholly and exclusively incurred for the purpose of the business.

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<sup>1</sup> Tin registration brochure <https://www.fracs.org.fj/wp-content/uploads/2012/09/TIN-Registration-Brochure-Final.pdf>

<sup>2</sup> TPOS <https://www.fracs.org.fj/our-services/taxpayer-online-service-tpos/>

<sup>3</sup> Registration guide ([https://www.fracs.org.fj/wp-content/uploads/2019/12/FRCS\\_NTIS\\_TPOS\\_USER\\_GUIDE\\_V3.0-1.pdf](https://www.fracs.org.fj/wp-content/uploads/2019/12/FRCS_NTIS_TPOS_USER_GUIDE_V3.0-1.pdf))

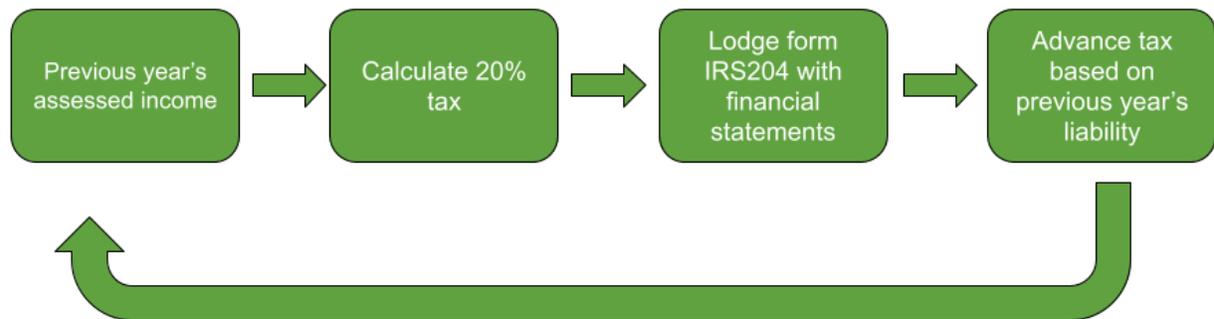
<sup>4</sup> Form IRS204 <https://www.fracs.org.fj/wp-content/uploads/2021/02/IRS204-Company-Return-2020-Final.pdf>

<sup>5</sup> Sample financial statements <https://www.fracs.org.fj/our-services/taxation/business/sample-financial-statements-for-small-business-operators/>

<sup>6</sup> Practice statement Tax agent lodgment program [https://www.fracs.org.fj/wp-content/uploads/2012/11/Extension\\_of\\_Time\\_and\\_Tax\\_Agent\\_Lodgement\\_Program1.pdf](https://www.fracs.org.fj/wp-content/uploads/2012/11/Extension_of_Time_and_Tax_Agent_Lodgement_Program1.pdf)

<sup>7</sup> Advance taxes <https://www.fracs.org.fj/our-services/taxation/business/advance-tax/>

## Advance Tax Payments for a Company



A Business apart from a company (Sole-trader, Trustee, Partners, etc.) is required to:

- Lodge form B<sup>8</sup> and the financial statements within three months of the end of the agreed taxation year (balance date) with FRCS or apply for an extension of time to file the returns under the Tax Agent Lodgment Program (TALP);
- Pay Advance Tax monthly from 30 April till 31 December based on the previous year's assessed net chargeable/net business income; and
- Pay Income Tax, Social Responsibility Tax (SRT) and Environmental and Climate Adaptation Levy (ECAL) tax on net chargeable/net business income based on the following brackets:

<sup>8</sup> Form B <https://www.frscs.org.fj/wp-content/uploads/2021/03/IRS202-Business-Return-Final2.pdf>



### Income tax bracket for residents<sup>9</sup>

Chargeable/net business income (FJD)	Income Tax Payable (FJD)	Social Responsibility Tax (FJD)	Environment and Climate Adaptation Levy (FJD)
0-30,000	Nil	Nil	Nil
30,001-50,000	18% excess over 30,000	Nil	Nil
50,001-270,000	3,600+20% of excess over 50,000	Nil	Nil
270,001-300,000	47,600+20% of excess over 270,000	13% of excess over 270,000	5% of excess over 270,000
300,001-350,000	53,600+20% of excess over 300,000	3,900+14% of excess over 300,000	5% of excess over 270,000
350,001-400,000	63,600+20% of excess over 350,000	10,900+15% of excess over 350,000	5% of excess over 270,000
400,001-450,000	73,600 +20% of excess over 400,000	18,400+16% of excess over 400,000	5% of excess over 270,000
450,001-500,000	83,600 +20% of excess over 450,000	26,400+17% of excess over 450,000	5% of excess over 270,000
500,001-1,000,000	93,600+20% of excess over 500,000	34,900+18% of excess over 500,000	5% of excess over 270,000
1,000,000+	193,600+20% of excess over 1,000,000	124,900+19% of excess over 1,000,000	5% of excess over 270,000

<sup>9</sup> Income tax bracket <https://www.fracs.org.fj/wp-content/uploads/2020/10/2020-2021-PAYE-Final-Tax.pdf>



**(ii) Pay As You Earn (PAYE)**

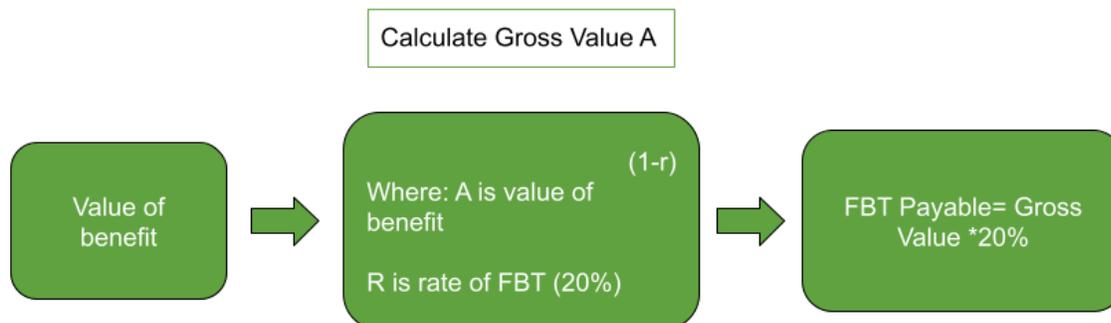
All businesses are required to lodge Employer Monthly Summary (EMS) to FRCS containing employee details and PAYE deducted in accordance with the income tax bracket:

- This is applicable even if you don't pay wages in any month or the wages you pay do not attract PAYE;
- The EMS is to be lodged through the TPOS before the end of the month following in which the employees PAYE were deducted; and
- Payments, if applicable must also be made before the end of the following month.

**(iii) Fringe Benefit Tax (FBT)**

This tax applies if the business provides non-cash benefits to staff, Directors and Owners of businesses (e.g. use of a company car, accommodation, mobile phones) and is applicable as follows:

- Rate of 20% on the grossed up value of taxable benefits<sup>10</sup>
- Lodgment via TPOS or Form F and payment must be made quarterly within one month after the end of each quarter



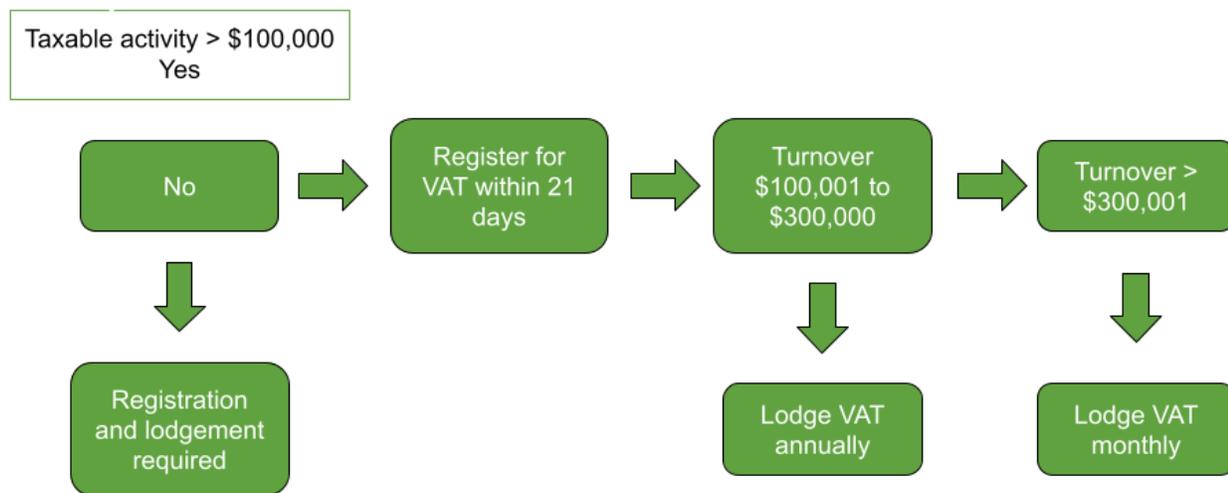
<sup>10</sup> Detailed instructions FBT <https://www.fracs.org.fj/our-services/taxation/business/fringe-benefit-taxfbt/>.

**(iv) Value-added tax (VAT)**

Value Added Tax (VAT)<sup>11</sup> is a tax on spending that is levied on the supply of goods and services in Fiji at the rate of 9%.

If the business's taxable activity, which FRCS defines as those that are being conducted regularly, whether or not for profit involving the supply of goods and services to another person for a consideration, exceeds \$100,000 of gross annual turnover the business must:

- register for VAT with FRCS within 21 days of becoming so liable;
- lodge yearly VAT returns if annual turnover is between \$100,001 to \$300,000;
- lodge<sup>12</sup> monthly VAT returns if annual turnover is \$300,001 or more; and
- lodge VAT returns in accordance with the accounting basis adopted (either cash or accrual) and via TPOS on or before the last day of the month following the last day of every taxable period



<sup>11</sup> For more information, refer to <https://www.frsc.org.fj/our-services/taxation/business/value-added-tax-vat/>

<sup>12</sup> <https://www.frsc.org.fj/wp-content/uploads/2019/09/STT.pdf>



**(v) Service Turnover Tax (STT)**

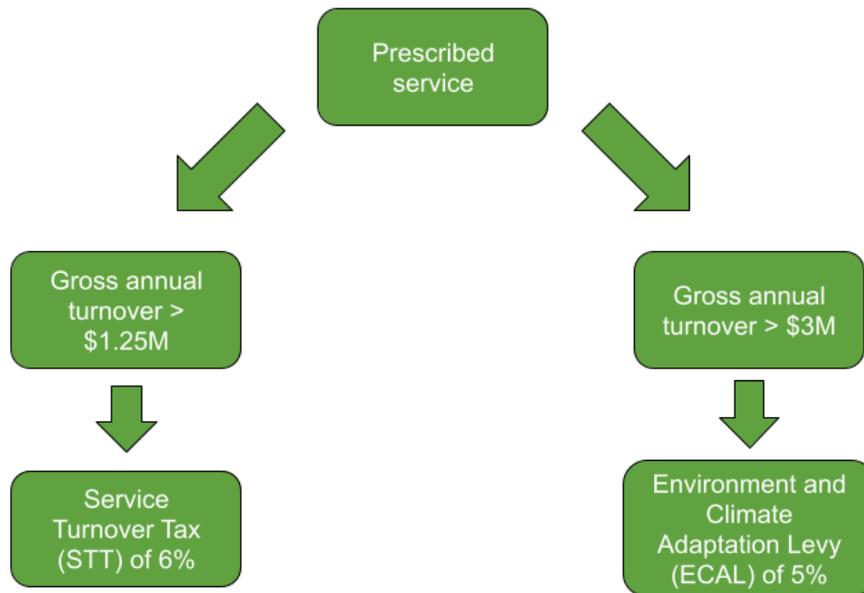
STT is a tax of 6% on the turnover of the business providing a prescribed service<sup>12</sup>. The Business registers for this tax if annual gross turnover exceeds \$1.25M.

The due date for payment of STT is aligned with the VAT Act requirements i.e. end of the month following the taxable period.

**Environment & Climate Adaptation Levy (ECAL)**

ECAL<sup>13</sup> is a tax of 5% on the turnover of the business providing the same prescribed service in STT above. The Business only registers for this tax if the annual gross turnover exceeds \$3M.

The due date for payment of ECAL is also aligned with the VAT Act requirements i.e. end of the month following the taxable period.



<sup>13</sup> ECAL <https://www.frcs.org.fj/our-services/taxation/business/environmental-levy/>



#### (vi) **Contractors Provisional Tax (CPT)**

If your business engages the services of a contractor for the value of \$1,001 and above from any payments for commission and contract of services, you are required to:

- Deduct CPT at the rate of 5% on the vat exclusive price(VEP) of the contract amount;
- File monthly details of CPT withheld through the Electronic Provisional Tax (EPT) reporting system;
- Payment and lodgment must be made on or before the last day of the following month.

The 2020 Covid-19 Response Budget allowed the reintroduction of Certificate of Exemption (COE) system where the recipient of the service receives the gross contractual payment without any CPT deducted from the payment.<sup>14</sup>

#### (vii) **Withholding Tax(WHT) and VAT Reverse Charges (VRC)**

If your business is making cross-border purchases or from any non-resident you can only remit funds if FRCS stamps the invoice “remittance approved”. For this you must pay the following taxes on the gross amount of the services:

- Pay 15% Non-Resident Withholding Tax;
- Pay 9% VAT Reverse Charge; and
- Claim the VRC amount paid back in the next period’s VAT lodgment if the business is registered for VAT purposes.

#### (viii) **Capital Gain Tax (CGT)**

If your business realizes profits or gains on the disposal of capital assets, you must pay 10% CGT on the VAT Exclusive Price (VEP) of the capital asset. Within one month after the disposal of the capital asset, regardless of gain or loss made, the following must be filed with FRCS:

- The CGT Return
- The tax payment
- the supporting documents in the CGT checklist<sup>15</sup>

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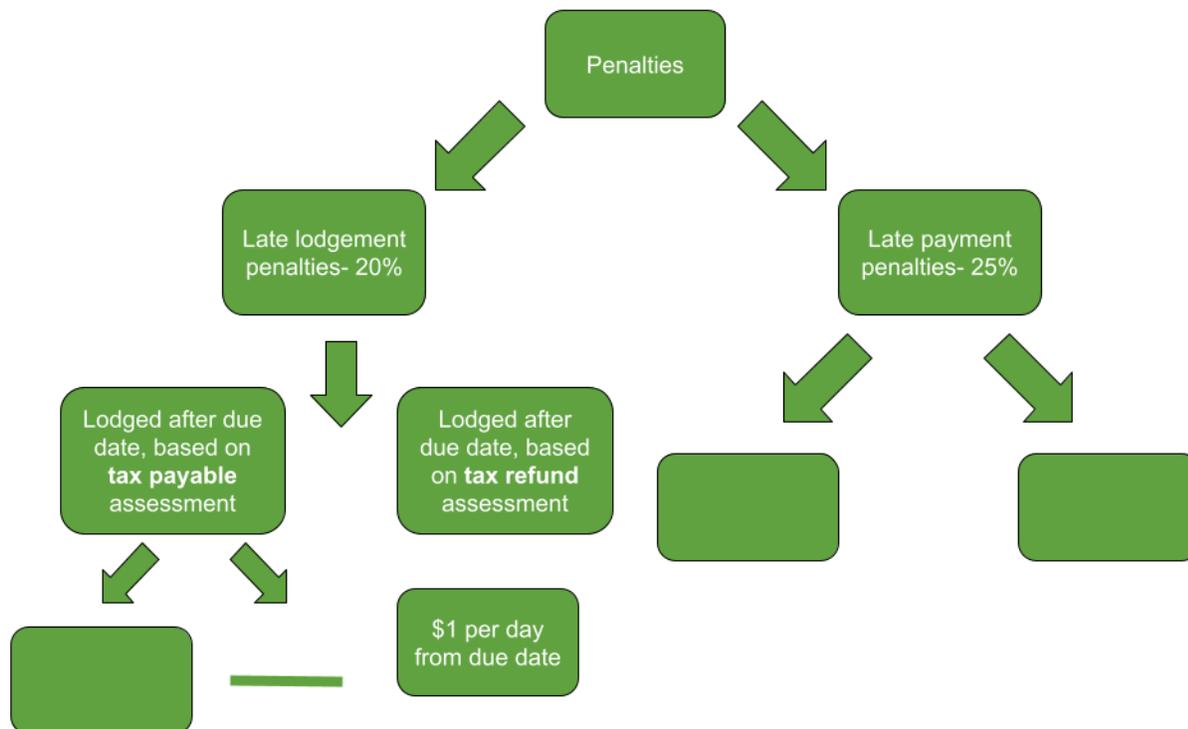
<sup>14</sup> Detailed instructions on CPT <https://www.frcs.org.fj/our-services/taxation/business/provisional-tax/>

<sup>15</sup>CGT information <https://www.frcs.org.fj/our-services/taxation/business/capital-gains-tax-cgt/>

## Penalties on late lodgments and late payments

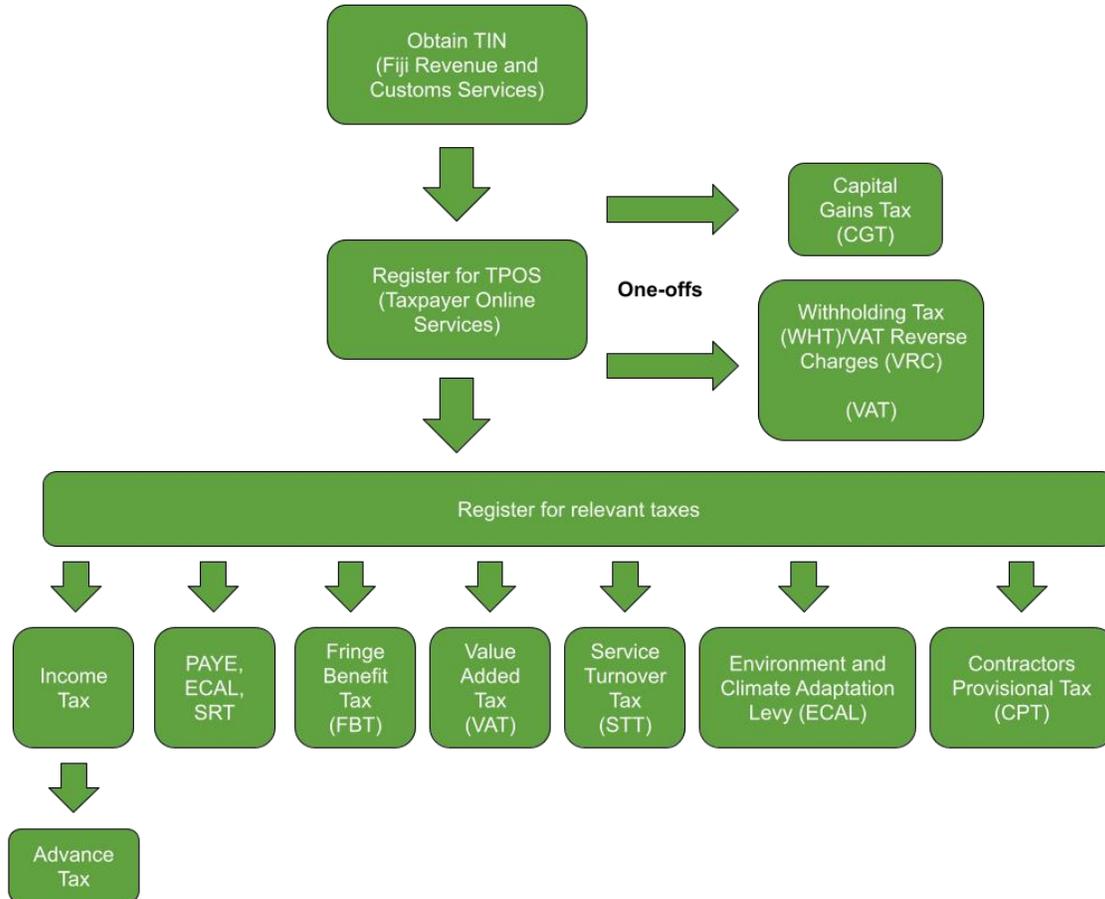
It should be noted that all lodgments and payments not made to FRCS within the stipulated dates attracts penalties:<sup>16</sup>

- (i) **Late lodgment penalties (LLP)**, is when a business does not lodge returns by the due date.
  - If the business is in a tax payable situation, it is liable for a penalty of 20% on the amount of assessed tax payable. It is further liable for a penalty of 5% on the assessed tax payable amount for each month of default.
  - A penalty of \$1 will apply per day still applies from the due date till the date return is lodged for tax refund assessments too
- (ii) **Late payment penalties (LPP)**, is when a business does not pay taxes by the due date.
  - If a business fails to pay tax by the due date, it is liable for a penalty of 25% on the amount of unpaid tax.
  - A penalty of 5% on the amount of unpaid tax will be further applied for each month of default.
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<sup>16</sup> Penalties <https://www.frscs.org.fj/wp-content/uploads/2012/11/PS-1-Imposition-Remission-of-Penalties.pdf>

## Snapshot of tax compliance





## Contact

FRCS has offices in 11 locations in Fiji and you can contact them through:

- (i) Email at [info@frcs.org.fj](mailto:info@frcs.org.fj)
- (ii) Hotline number 1326.
- (iii) Contact by location is also available on <https://www.frcs.org.fj/contact-us/>

A complete set of the above tax forms are available on FRCS website <https://www.frcs.org.fj/our-services/taxation/taxation-forms/tax-return-forms/>