The Compliance Improvement Strategy (CIS) is the first compliance document published by the Fiji Revenue & Customs Authority (FRCA). The compliance strategy demonstrates how FRCA, as a Tax and Customs Administrator adopts the same to improve taxpayer perceptions towards their tax obligations. The Compliance Improvement Strategy outlines specific strategies for taxpayer services, large & international, medium, small, construction, real estate and supermarkets to commit themselves to their tax obligations, and enhance VOLUNTARY COMPLIANCE.
Vision Statement

A World Class Revenue Authority Delivering Excellence in Revenue Collection, Border Protection, Trade and Travel Facilitation.

Mission Statement

Helping Fiji Grow As A Leading Contributor And Funder Of Sustainable Economic, Security And Social Initiatives.

CORE VALUES

- Leadership
- Results Focus
- Continuous Improvement and Learning
- Design Quality and Prevention
- Partnership and Engagement
- Valuing Employees
- One Organization
- Integrity
This Compliance Improvement Strategy is the first compliance document published by the Fiji Revenue & Customs Authority (FRCA). It is an exciting step forward for us, as an organization, and reinforces our commitment to service. By providing our customers visibility into our compliance activities, we hold ourselves accountable and hope to enlist support from the broader community to ensure fair administration of tax collection and the prosperous development of our country.

The issue of fairness is central to this year’s strategy and will be embedded in strategies developed in the years to come. In Fiji, no business or individual should benefit from paying less than required. Those that do will be identified and dealt with using a variety of methods, including full force of the law. Those that voluntarily comply with their obligations will be provided the highest quality service and support.

Behind the scenes, we have been working very hard at FRCA to develop the organizational structures and capacities needed. Within this document, you will read about these efforts. You will also read about specific strategies we will pursue this year – taxpayer services, large & international, medium, small, construction, real estate and supermarkets.

Finally, many individuals, both within FRCA and in the broader community, have been involved in the development of this document. To those that have provided input, we say thank you. To those that have yet to reach out, want to hear from you. Our relationship with our stakeholders is of paramount importance and we are always seeking opportunities to better serve.

Sincerely,

Visvanath Das
A/Chief Executive
ACRONYMS/ABBREVIATIONS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIS</td>
<td>Compliance Improvement Strategies</td>
</tr>
<tr>
<td>FRCA</td>
<td>Fiji Revenue and Customs Authority</td>
</tr>
<tr>
<td>RAPT</td>
<td>Risk Assessment &amp; Planning Team</td>
</tr>
<tr>
<td>RDF</td>
<td>Risk Differentiation Framework</td>
</tr>
</tbody>
</table>
Table of Contents

1. INTRODUCTION .......................................................................................................................6

2. UNDERSTANDING COMPLIANCE .........................................................................................7

3. OUR APPROACH TO IMPROVING COMPLIANCE .............................................................8

4. UNDERSTANDING OUR COMPLIANCE STRATEGIES ......................................................9

5. INTRODUCING OUR RISK DIFFERENTIATION FRAMEWORK ...................................10

6. WORKING WITH YOU TO BUILD A HEALTHY COMMUNITY ......................................12

7. OUR COMPLIANCE STRATEGIES FOR 2016 .................................................................13
   Compliance Strategy: Taxpayer Services.............................................................................14
   Compliance Strategy: Large & International Taxpayers.................................................15
   Compliance Strategy: Medium Taxpayers.........................................................................16
   Compliance Strategy: Small Taxpayers............................................................................17
   Compliance Strategy: Industry – Construction.................................................................18
   Compliance Strategy: Industry – Real Estate....................................................................19
   Compliance Strategy: Industry – Supermarkets...............................................................20

8. REFERENCING ........................................................................................................................21
Introduction

The Primary goal of a revenue authority is to collect taxes payable in accordance with the law and to do this in such a manner that will sustain confidence in the tax system and its administration. The actions of taxpayers – whether due to ignorance, carelessness, recklessness, or deliberate evasion, as well as weaknesses in the tax administration mean that instances of failure to comply with the tax law are inevitable. Therefore, tax administration should have in place strategies and structures to ensure that non-compliance with tax law is kept to a minimum.

A first ever compliance document introduced by the Fiji Revenue and Customs Authority (FRCA), namely Compliance Improvement Strategy (CIS) will enable FRCA to adopt to different strategies to improve taxpayer perceptions towards their tax obligations. While the exact obligations placed on a taxpayer is going to vary from one taxation role to another, and from one jurisdiction to the next, the four major broad categories of taxpayer obligations remain same for all taxpayers, irrespective of jurisdiction, these are:

- Registration in the system
- Timely filing or lodgment of tax returns
- Reporting of complete and accurate information
- Payment of tax taxes on time

This Compliance strategy will outline specific strategies for different segments and industries, such as:

- Taxpayer services
- Large & International taxpayers
- Medium taxpayers
- Small taxpayers
- Construction industry
- Real Estate industry
- Supermarket industry

In order to make our taxpayers commit to their tax obligations and enhance Voluntary Compliance, it is important to understand their behavior towards their tax obligations. This is achieved through our introduction of Risk Differentiation Framework (RDF), which will enable to profile taxpayers and group them in four quadrants (low and medium risk to key compliant and high risk taxpayers), to better understand their behavior of non-compliance.

The strategies in this document will definitely enable FRCA to achieve its objective of taxpayers committing to their tax obligations and enhancing Voluntary Compliance.
Understanding Compliance

At FRCA, our strategic objective is to cost-effectively maximize voluntary compliance with the law – both in respect of domestic taxes and internationally with foreign trade. To realize this objective, we intend to proactively support and influence the large majority of our customers to comply with their basic obligations to:

- Register with us correctly
- File required tax returns and other declarations on time
- Pay all taxes due on time and in full
- Make complete and accurate disclosures

By default, we take the position that non-compliance with basic obligations, when it occurs, is usually unintentional. However, a range of factors influence how our customers respond to the law and interact with us.

Moving forward, when examining these factors, we are determined to fully understand the underlying issues driving noncompliant behavior. This will allow us to fix the source of problems rather than focus only on responding to their symptoms. As a result, we hope to improve services, develop sustainable increases in revenue and foster a well-functioning, fair business environment.

For us, this approach is new. The transition to a compliance management concept centered on understanding and treating root causes driving behavior will be challenging. To that end, we hope to enlist the support of the community, partner agencies and our customers.

It is our belief that the publication of this Compliance Improvement Strategy will help strengthen these relationships, provide transparency into our activities and improve our capability to fully understand and manage compliance in Fiji.
Our Approach to improving Compliance

We recognize that, in some instances, our processes and methods deter our customers from meeting their tax obligations. In others, aggressive tax planning and evasion are being proactively practiced as a normal part of doing business.

For 2016, our approach to improving compliance across this range of issues incorporates three themes – internal, administrative improvements, strengthening partnerships with the community and dramatically scaling up our compliance activities in two functional areas and six key segments of the economy.

Implementing internal, administrative improvements. As part of rolling out this first annual compliance strategy, we are pleased to announce a series of important improvements. Firstly, a new team has been established – Risk Assessment & Planning Team (RAPT). This team have national purview and in the years to come, will own development and implementation of future annual strategies. Secondly, we have established the FRCA Compliance Council. This group, comprised of the executive and senior management, is tasked with the oversight of various strategies to be implemented this year. Finally, as you will read about subsequently, we have implemented a series of reforms to improve our capability to deliver quality service.

Strengthening partnership with the community. Our partners in the business and trading community are incredibly important to us. We are fully committed to strengthening these relationships. In previous years, we have engaged with a number of associations on a wide range of topics. Moving forward, we intend to focus our energies and communicate more precisely on the specific compliance strategies and risks being targeted. That said, while communicating our views is important to us, listening is even more so. Our goal is not simply one-way dialogue. We are interested in understanding how we can work together to improve compliance. In particular, during this year, we intend to visit a number of industry associations – representing legitimate, above broad businesses – to better understand where non-compliance is occurring.

Dramatically scaling-up compliance activities. As you read through the various strategies in this document, you will note an emphasis on solving the underlying problems that prompt non-compliant behavior. In many instances, the treatments that we have designed require us to engage in activities outside of our traditional comfort zone. This year, we will be proactively working with our partner agencies and promoting changes in policy to clarify legislation, close loopholes and simplify procedures. Administratively, we view these compliance activities as a shift away from a narrow reliance on enforcement to a broader, more proactive mandate. This transition should not be understood as us softening our stance on fraud and evasion. Indeed, you will note in our strategies that this year we are explicitly targeting referrals for criminal prosecution.
Understanding our Compliance Strategies

This Compliance Improvement Strategy is an umbrella document. Within it, for 2016, we have identified one administrative and six segments of the economy that we will focus on. For each focus area, we have designed a unique strategy that accounts for functional areas across FRCA and external actors in the community. These strategies you will find in the following pages.

As you will note, each strategy follows the same template and is comprised of seven panels of information. These panels are:

1. **Strategy Overview** – A brief narrative describing the strategy.
2. **Segment Profile** – The key characteristics of the customers the strategy applies to.
3. **Key Compliance Risks** – The risks that we are focused on for the year.
4. **Risk Treatments** – The service and enforcement-related actions we will take.
5. **Compliance Indicators** – Metrics we will monitor to ensure a strategy’s performance.
6. **Workflows** – Resources reserved to support a strategy for the year.
7. **Capacity Development** – Internal activities to build necessary capabilities.

Starting January 1, 2016, the strategies defined have been implemented.

Behind each strategy is a robust action plan that integrates and coordinates resources across our organization. At a regular interval, the compliance indicators in each strategy (panel 5) will be reviewed by the FRCA Compliance Council. As appropriate, strategies will be revised to account for their actual results.

On a daily basis, it is the role of RAPT to coordinate implementation with the many stakeholders involved.
Introducing our risk differentiation framework

We take the idea of integrating our resources for maximum impact very seriously. To that end, in each strategy, when appropriate, you will note resource allocations (panel 6 – “Workflows”) using a new approach that we have recently adopted. For the purpose of transparency and to enlist the support of tax agents and customs brokers, we present this approach now.

Starting this year, all taxpayers will be understood and managed within a “Risk Differentiation Framework” (RDF). The approach is simple and allows us to design and implement more effective compliance strategies. Below, the basic concept is illustrated.

![The FRCA Risk Differentiation Framework](image)

In practice, we are compiling compliance profiles of our customers and assigning them to a quadrant in RDF models based on 1) consequence of noncompliance; and 2) likelihood of noncompliance. We are performing this work, and managing a RDF model, for each of the respective strategies.

By adopting this approach, we are better able to understand groups of customers and their behavior. To date, we have analyzed high level behavior for the major tax types. Moving forward, we will incorporate data from foreign trade operations.

From our perspective, the results of this work provide new insights into noncompliant trends and behavior. The figure below illustrates some of our results for one segment of customers.

![A RDF Model for a Segment of FRCA Customers](image)

During the course of the year, we will provide more detailed information and open a dialogue on these new methods with interested stakeholders – tax agents and brokers in particular.

For the purpose of clarity in the immediate short-term, stakeholders should note that resource allocations for each strategy (panel 6 – “Workflows”) are the minimum resources that will be applied. Administratively, these resources are “reserved” for the strategies. As needed, FRCA will adjust resource plans as needed.
Working with you to build a healthy community

The concepts and approach outlined in this Compliance Improvement Strategy are new to us. We expect to be successful but fully anticipate bumps along the way. When we make mistakes, we will own them. And, as we realize successes, we expect that they will come not just from us but from our joint efforts in the community. In 2016, we ask you, the reader, to help us in our ongoing effort to build a strong organization that provides world-class service.
Our Compliance Strategies for 2016

In the remainder of this document, you will find our annual strategies for:

1. Taxpayer Services
2. Large Taxpayers
3. Medium Taxpayers
4. Small Taxpayers
5. Construction
6. Real Estate
7. Supermarket
Compliance Strategy: Taxpayer Services

**Strategy Overview:**

The key compliance risks associated with taxpayer services are registration and filing, in particular, the extremely low rate of on-time filing for all major tax types. Moving forward, FRCA recognizes that improving these areas is an urgent priority. The strategy for improvement is to first understand and bring under control filing of all active taxpayers. This will be accomplished through simplification, introduction of new capabilities, and leveraging our partnership with tax agents. Second, new registrations will be closely monitored and for purposes educational kits developed. Finally, the additional treatments described in this strategy will be implemented to improve our registration records.

### Key Compliance Risks

#### Registration Risk

- **High**
  - Incomplete registrations exist in the system
  - The registration process does not force collection of important data
  - No detailed registration guidance is available for taxpayers
  - IRAS is responsible for controls, duplicate registrations occasionally occur

#### Filing Risk

- **High**
  - Taxpayers do not fully understand their filing obligations
  - A significant number of new registrants do not file as required
  - A significant number of existing taxpayers are non and stop-filers
  - The income tax forms are complicated
  - The tax agent lodgement program (TAP) prompts late filing
  - The penalty regime does not deter non-, stop, and late-filers

#### Payment Risk

- **Medium**
  - The limited use of e-payments prompts late payment
  - The use of cheques that may be dishonored prompts non-compliance
  - The use of cash impairs FRCA’s ability to account for sources of funds

#### Underreporting Risk

- **N/A**
  - Underreporting risks are accounted for in accompanying strategies

### Workflows

- **Organizations & Management**
  - Resign and fully resource a Taxpayer Services Unit
  - Administrative Tools

### Capacity Development

- **Information Systems, Data Management & Analytics**
  - Develop capability for electronic registration, filing and payment, SMS messages and use of bulk, 3rd party data

---

Compliance Strategy: Large & International Taxpayers

**Strategy Overview:**

The key compliance risk in the large taxpayer segment is underreporting. Taxpayers in this segment are utilizing the services of professional consultants to implement aggressive tax planning and evasion schemes. The strategy to improve compliance proposes legislative changes, relies on external coordination and emphasizes improving enforcement activities in complex sectors. Key elements of the strategy also call for acquisition and better use of third-party data, and, during the year, one successful referral for criminal prosecution.

### Key Compliance Risks

#### Registration Risk

- **Low**
  - The probability of a registration risk is low

#### Filing Risk

- **Low**
  - Large taxpayers generally file their returns on-time
  - IT (95%) + 6 taxpayers with missing IT returns
  - VAT (97%) + 97 taxpayers with missing VAT returns

#### Payment Risk

- **Low**
  - IT (99%) + 5 taxpayers with IT owing, $300,730 total arrears
  - VAT (99%) + 3 taxpayers with VAT owing, $35,472 total arrears

#### Underreporting Risk

- **High**
  - Aggressive tax planning is encouraged by preparers and accountants
  - Inaccurate reporting between states and countries, relating to values
  - Nonresident withholding taxes on services provided in Fiji
  - Abuse of income tax and duty concessions
  - Non-refund (and declaration) of fringe benefits
  - No thin capitalization rules in Fiji (Intercompany exploitation)
  - Insufficient reference data for transfer pricing and normal audits

### Compliance Indicators

#### Capacity Development

- **Information Systems, Data Management & Analytics**
  - Develop capability to exploit bulk, 3rd party data

---

### Workflows

- **Organizations & Management**
  - Resign and fully resource a Taxpayer Services Unit
  - Administrative Tools

### Capacity Development

- **Information Systems, Data Management & Analytics**
  - Develop capability to exploit bulk, 3rd party data
  - Administrative Tools
  - Obtain MOUs with external stakeholders to acquire key, bulk data
Compliance Strategy: Medium Taxpayers

1. Strategy Overview:
The key compliance risks in the medium segment are filing, payment, and underreporting. Our approach for improving filing relies on our broader taxpayer services strategy (elsewhere in this document). Forfilers, we will invest the resources needed to collect. Underreporting will be addressed through enhanced data matching and developing our ability to use enforcement measures in complex cases. We will amplify our investment in this segment by making smart use of communications and targeting one referral for criminal prosecution.

2. Segment Profile:

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Revenue</th>
<th>Total Rev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Tax</td>
<td>$271.2m</td>
<td>$584m</td>
</tr>
<tr>
<td>VAT</td>
<td>$268.3m</td>
<td>$637.7m</td>
</tr>
<tr>
<td>STT</td>
<td>$52m</td>
<td>$85.9m</td>
</tr>
<tr>
<td>CGST</td>
<td>$5.8m</td>
<td>$9.6m</td>
</tr>
<tr>
<td>SGST</td>
<td>$14.3m</td>
<td>$34.8m</td>
</tr>
<tr>
<td>SRT</td>
<td>$1.9m</td>
<td>$7.6m</td>
</tr>
<tr>
<td>PBT</td>
<td>$9m</td>
<td>$10.8m</td>
</tr>
<tr>
<td>Third Party</td>
<td>$1.9m</td>
<td></td>
</tr>
<tr>
<td>Stamp Duty</td>
<td>$25.7m</td>
<td>$27.1m</td>
</tr>
</tbody>
</table>

Total Tax Collection Represents:
IT — 37%
VAT — 41%

2.1 Number/Type of Taxpayers: 4127

<table>
<thead>
<tr>
<th>Type/Number of Actions</th>
<th>&quot;Taxpayer Risk&quot; category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registration Checks</td>
<td>High Risk</td>
</tr>
<tr>
<td>Advisory Visits</td>
<td>10</td>
</tr>
<tr>
<td>Limited Scope Audits</td>
<td>10</td>
</tr>
<tr>
<td>Comprehensive Audits</td>
<td>2</td>
</tr>
<tr>
<td>Data collection Activities</td>
<td>20</td>
</tr>
</tbody>
</table>

Information Systems, Data Management & Analytics: Develop capability for e-messaging and exploitation of 3rd party data
Administrative Tools: Obtain MOUs with external stakeholders to acquire key, bulk data
Organization & Management: Allocate resources for outbound call center operations
Staff Development: Acquire training on benchmark analysis and complex industries

3. Key Compliance Risks:

3.1 Registration risk: Low
Intensive registrations and incorrect FISCs distort risk analysis

3.2 Filing risk: Medium
Many medium taxpayers have not submitted IT and VAT returns.
IT (21%) — 1195 Taxpayers with missing IT returns.
VAT (64%) — 2508 Taxpayers with missing VAT returns.

3.3 Payment risk: High
The majority of arrears are in the medium segment.
IT (94%) — 806 Taxpayers with tax owing, $41m total arrears.
VAT (59%) — 127 Taxpayers with tax owing, $934,779 total arrears.

3.4 Underreporting risk: High
A large share of collections puts significant revenue at risk.
Aggressive tax planning encouraged by employers and accountants.
Some medium taxpayers participate in the informal economy.
In the medium segment, substantial VAT and PAYE are at risk.

4. Risk Treatments:

4.1 Measures for facilitating compliance (service):
Implement a focused communications campaign.
Introduce an electronic invoice system for VAT.
Cooperate closely with industry associations.

4.2 Measures for dealing with non-compliance (enforcement):
Target one successful referral for criminal prosecution.
Allocate the resources needed to collect on IT arrears.
Cross-reference FNP and superannuation declarations against PAYE.
Publish results of criminal prosecutions (VAT and PAYE).
Develop industry specific audit technique guides.
Use Revenue Collections’ door-to-door capability to verify FISCs and flag inactive registrations.

Acquire and exploit new third-party data:
- FIS Electricity Authority — registration, consumption
- Municipal Councils — registration

Compliance Strategy: Small Taxpayers

1. Strategy Overview:
In the small taxpayer segment, all categories of compliance are a considerable risk — registration, filing, payment, and reporting. The behavior observed suggests a widespread culture of noncompliance. To break the culture, a well-coordinated media campaign was initiated, services will be improved, processes simplified and a new, comprehensive tax regime introduced. For enforcement, a heavy reliance on use of 3rd party data will be emphasized and we will target one successful referral for criminal prosecution.

2. Segment Profile:

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Revenue</th>
<th>Total Rev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Tax</td>
<td>$58.6m</td>
<td>$584m</td>
</tr>
<tr>
<td>VAT</td>
<td>$48.3m</td>
<td>$637.7m</td>
</tr>
<tr>
<td>STT</td>
<td>$5.7m</td>
<td>$9.4m</td>
</tr>
<tr>
<td>CGST</td>
<td>$14.4m</td>
<td>$27.5m</td>
</tr>
<tr>
<td>SGST</td>
<td>$1.3m</td>
<td>$3.0m</td>
</tr>
<tr>
<td>SRT</td>
<td>$1.7m</td>
<td>$7.8m</td>
</tr>
<tr>
<td>PBT</td>
<td>$1.2m</td>
<td>$19.8m</td>
</tr>
<tr>
<td>Third Party</td>
<td>$1.4m</td>
<td></td>
</tr>
<tr>
<td>Stamp Duty</td>
<td>$1.6m</td>
<td>$1.6m</td>
</tr>
</tbody>
</table>

Total Tax Collection Represents:
IT — 47%
VAT — 53%

2.2 Number/Type of Taxpayers: 8132

<table>
<thead>
<tr>
<th>Type/Number of Actions</th>
<th>&quot;Taxpayer Risk&quot; category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registration Checks</td>
<td>High Risk</td>
</tr>
<tr>
<td>Advisory Visits</td>
<td>5</td>
</tr>
<tr>
<td>Limited Scope Audits</td>
<td>5</td>
</tr>
<tr>
<td>Comprehensive Audits</td>
<td>2</td>
</tr>
<tr>
<td>Data collection Activities</td>
<td>20</td>
</tr>
</tbody>
</table>

Information Systems, Data Management & Analytics: Develop capability for e-messaging and exploitation of 3rd party data
Administrative Tools: Obtain MOUs with external stakeholders to acquire key, bulk data
Organization & Management: Allocate resources for outbound call center operations
Staff Development: Acquire training on benchmark analysis and complex industries

3. Key Compliance Risks:

3.1 Registration risk: Medium
Remote offices of taxpayers are not registered.
Individual taxpayers are not registered as business taxpayers.
Registration is occurring with City Council(s) but not FRCA.
Non-registration of taxes for vendors is occurring in markets.

3.2 Filing risk: High
Many small taxpayers lack understanding of tax obligations.
The filing process is manual (paper or via post) and expensive.
IT (34.7%) — 44258 Taxpayers with Missing IT returns.
VAT (61.3%) — 1757 Taxpayers with Missing VAT returns.

3.3 Payment risk: High
IT (16%) — 2745 Taxpayers with IT owing, $31m total arrears.
VAT (18%) — 49 Taxpayers with VAT owing, $959,512 total arrears.

3.4 Underreporting risk: High
The cash-based economy enables informal transactions (off-books).
Informal tax advisory services are advocating aggressive planning.
Both VAT and IT are underperforming, suggesting widespread evasion.
A culture of noncompliance has developed over many years.

4. Risk Treatments:

4.1 Measures for facilitating compliance (service):
Target communication campaign for registration.
- Emphasize local languages in remote locations.
- Cooperate more closely with industry associations.
- Implement a "Right from the Start" program via City Council offices.

4.2 Measures for dealing with non-compliance (enforcement):
Target one successful referral for criminal prosecution.
Use outbound call center for registration, filing and arrears.
Allocate and exploit new third-party data:
- Fiji Electricity Authority — registration, consumption
- Water Authority of Fiji — registration, consumption
- City Council(s) — business registrations
- Department of immigration — bulk work permit data

Emphasize Revenue Collections’ door-to-door program.
Compliance Strategy: Industry - Construction

1. Strategy Overview:

In construction sectors, all categories of compliance risk are a concern, registration in particular. Further, the project-based character of construction activities has unique qualities for tax purposes. The strategy for improvement is proactive engagement to get taxpayers compliant today rather than rely primarily on audit to examine issues in previous years. This will be accomplished through significant education efforts, communication and a substantial number of site visits. During the year we will target one referral for criminal prosecution.

2. Segment Profile

2.1 Amount/Type of tax revenue:

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Revenue</th>
<th>Total Rev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Tax</td>
<td>$556.4m</td>
<td>$556.4m</td>
</tr>
<tr>
<td>VAT</td>
<td>$547.3m</td>
<td>$637.7m</td>
</tr>
<tr>
<td>ITT</td>
<td>$549.9m</td>
<td>$549.9m</td>
</tr>
<tr>
<td>GST</td>
<td>$699k</td>
<td>$699k</td>
</tr>
<tr>
<td>CLT</td>
<td>$60</td>
<td>$1.3m</td>
</tr>
<tr>
<td>CCL</td>
<td>$60</td>
<td>$1.3m</td>
</tr>
<tr>
<td>IR</td>
<td>$78.7m</td>
<td>$78.7m</td>
</tr>
<tr>
<td>TBT</td>
<td>$1m</td>
<td>$1.3m</td>
</tr>
<tr>
<td>Third Party</td>
<td>$1.3m</td>
<td>$1.3m</td>
</tr>
</tbody>
</table>

Total Tax Collection Represents:
- IT: 6.2%
- VAT: 10%

2.2 Number/Type of taxpayers: 1,554

- Salaried / Sole Trader: 1,091
- Companies: 423
- Non-Profit: 2
- Estate/Trust: 1
- Cooperative: 0
- Statutory/Municipal: 4

3. Key Compliance Risks

3.1 Registration risk:

Small number of small enterprises not registered
- Substantial number of subcontractors not registered

3.2 Filing risk:

Medium
- Many taxpayers in construction lack understanding of tax obligations
- IT (56%) - 458 Taxpayers with missing IT returns
- VAT (5%) - 354 Taxpayers with missing VAT returns

3.3 Payment risk:

Medium
- IT (14%) - Taxpayers with IT owing, $1.8m total arrears
- VAT (15%) - Taxpayers with VAT owing, $233.039 total arrears

4.4 Underreporting risk:

Medium
- A substantial portion of the industry operates informally
- PAYE is not being withheld for all employees
- VAT is not accurately reported (fictitious invoices, fly by night)

4. Risk Treatments

4.1 Measures for facilitating compliance (service):

Visit construction sites to:
- Assist with registration of subcontractors
- Provide education on tax obligations

Distribute education materials through:
- Engineers and architects associations
- Hardware and supply stores

Conduct a taxpayer education seminar, believed to subcontractors
- Provide tax education to vocational and tertiary institutions

4.2 Measures for dealing with non-compliance (enforcement):

Target one successful referral for criminal prosecution
- Acquire registers from professional associations
- Focus audit on VAT and withholding taxes and publicize outcomes
- Coordinate with associations to better manage non-compliance

Focus Revenue Collections’ door-to-door or on construction sites
- Acquire and exploit new third-party data:
  - J jurors City Council - building permits, plans, schedules
  - Data Bureau - construction documented loans

5. Compliance Indicators

- % increase in registration, emphasis on self-employed
- % increase in overall collections
- % increase in PAYE collection and number of employees withheld
- % decrease in provisional taxes, with no CDE approved

Information Systems, Data Management & Analytics

Develop capability to exploit bulk, 9th party data

Administrative Tools

Obtain MOUs with external stakeholders to acquire key, bulk data

6. Workflows

- Staff Development
  - Hold a seminar with a representative from the construction industry to better understand non-compliance in Fiji

Compliance Strategy: Industry - Real Estate

1. Strategy Overview:

In real estate sectors, all categories of compliance are a concern. Basic issues are attributed to a culture of noncompliance and low levels of awareness, particularly for individuals holding rental properties. Other, more complex issues are a product of aggressive rental and illicit transactions. The strategy for improvement is to educate, communicate and at the same time develop a more robust understanding of noncompliant behavior. Third party data will be exploited and we will target one successful referral for criminal prosecution.

2. Segment Profile

2.1 Amount/Type of tax revenue:

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Revenue</th>
<th>Total Rev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Tax</td>
<td>$556.4m</td>
<td>$556.4m</td>
</tr>
<tr>
<td>VAT</td>
<td>$547.3m</td>
<td>$637.7m</td>
</tr>
<tr>
<td>ITT</td>
<td>$549.9m</td>
<td>$549.9m</td>
</tr>
<tr>
<td>GST</td>
<td>$699k</td>
<td>$699k</td>
</tr>
<tr>
<td>CLT</td>
<td>$60</td>
<td>$1.3m</td>
</tr>
<tr>
<td>CCL</td>
<td>$60</td>
<td>$1.3m</td>
</tr>
<tr>
<td>IR</td>
<td>$78.7m</td>
<td>$78.7m</td>
</tr>
<tr>
<td>TBT</td>
<td>$1m</td>
<td>$1.3m</td>
</tr>
<tr>
<td>Third Party</td>
<td>$1.3m</td>
<td>$1.3m</td>
</tr>
</tbody>
</table>

Total Tax Collection Represents:
- IT: 6.2%
- VAT: 10%

2.2 Number/Type of taxpayers: 1,010

- Salaried / Sole Trader: 338
- Companies: 87
- Non-Profit: 4
- Estate/Trust: 28
- Cooperative: 4
- Statutory/Municipal: 3

3. Key Compliance Risks

3.1 Registration risk:

Significant numbers of individuals not registered correctly

3.2 Filing risk:

High
- Taxpayers in the sector are unaware of their filing obligations
- Culture of noncompliance for taxpayers holding rental properties
- IT (27%) - 314 Taxpayers with missing IT returns
- VAT (15%) - 354 Taxpayers with missing VAT returns

3.3 Payment risk:

Medium
- IT (7%) - 314 Taxpayers with IT owing, $1.8m total arrears
- VAT (15%) - 5 Taxpayers with VAT owing, $233.039 total arrears

4.4 Underreporting risk:

Medium
- Nonissuance of receipts by landlords
- Offshore settlement and verification of selling price
- No independent valuation of properties
- Transactions occurring in more than one agreement (off books)
- Investment companies with continual carry-forward losses
- Holding companies leasing to subsidiaries below market rate

Agents incorrectly filing returns under “Residence” status

5. Compliance Indicators

- % increase in real estate registrations
- % increase in on-time filing
- % increase in collections

Information Systems, Data Management & Analytics

Develop capability to exploit bulk, 9th party data

Administrative Tools

Obtain MOUs with external stakeholders to acquire key, bulk data

6. Workflows

- Staff Development
  - Acquire training on real estate business operations
Compliance Strategy: Industry – Supermarkets

1. Strategy Overview:
In supermarket sectors, filing and underreporting are the key categories of compliance risk. A large percentage of taxpayers are delinquent in lodging returns and a variety of techniques are being used to suppress sales and inflate VAT input. The strategy for improvement is to educate taxpayers on obligations, particularly small taxpayers. For enforcement, a significant number of issue-based audits will be conducted to examine specific problem areas. For some issues, tampering of registers in particular, we will target referral for criminal prosecution.

2. Segment Profile

<table>
<thead>
<tr>
<th>2.1 Amount/type of tax revenue:</th>
<th>3. Key Compliance Risks</th>
<th>4. Risk Treatments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax Type</strong></td>
<td><strong>Revenue</strong></td>
<td><strong>Total Rev.</strong></td>
</tr>
<tr>
<td>Income Tax</td>
<td>$51.5m</td>
<td>$584m</td>
</tr>
<tr>
<td>VAT</td>
<td>$292.3m</td>
<td>$895.7m</td>
</tr>
<tr>
<td>TRT</td>
<td>$260.6k</td>
<td>$444.9m</td>
</tr>
<tr>
<td>GST</td>
<td>$17m</td>
<td>$23m</td>
</tr>
<tr>
<td>TLC</td>
<td>$3.2m</td>
<td>$3.2m</td>
</tr>
<tr>
<td>CCL</td>
<td>$1.4m</td>
<td>$1.4m</td>
</tr>
<tr>
<td>DRT</td>
<td>$1.1m</td>
<td>$1.1m</td>
</tr>
<tr>
<td>EBT</td>
<td>$552k</td>
<td>$552k</td>
</tr>
<tr>
<td>Third Party</td>
<td>$1.5m</td>
<td>$1.5m</td>
</tr>
<tr>
<td>Stamp Duty</td>
<td>$2m</td>
<td>$2m</td>
</tr>
<tr>
<td>Revenue from this segment represents about 15% of total tax collections.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3.2 Number/type of taxpayers: 1313

| Salaried/sole Trader | 500 |
| Partnerships | 30 |
| Companies | 217 |
| Non Profit | 0 |
| Estate/Trust | 2 |
| Cooperatives | 4 |
| Statutory/Majistries | 0 |

4. Measures for dealing with non-compliance (enforcement)

4.1 Measures for facilitating compliance service

- Target one successful referral for criminal prosecution, targeting supermarkets that tamper with their cash registers.

- Commit significant resources to random site inspections to perform targeted, issue-based audits.

- Refer to the FRA Policy, Research & Analysis Unit research to support potential introduction of fiscal electronic devices.

5. Compliance Indicators

<table>
<thead>
<tr>
<th>% increase in collections</th>
<th>Taxpayer Risk category</th>
</tr>
</thead>
<tbody>
<tr>
<td>% decrease in zero-rated sales</td>
<td>High Risk</td>
</tr>
<tr>
<td>% decrease in VAT refund claims</td>
<td>Medium Risk</td>
</tr>
<tr>
<td>Information Systems, Data Management &amp; Analytics</td>
<td>Key Risk</td>
</tr>
<tr>
<td>Develop capability for e-invoicing</td>
<td>Low Risk</td>
</tr>
<tr>
<td>Staff Development</td>
<td>Registration Checks</td>
</tr>
<tr>
<td>Acquire training to better understand supermarket business operations</td>
<td></td>
</tr>
<tr>
<td>Advisory Visits</td>
<td>5</td>
</tr>
<tr>
<td>Limited Scope Audits</td>
<td>10</td>
</tr>
<tr>
<td>Comprehensive Audits</td>
<td>2</td>
</tr>
<tr>
<td>Debt Collection Actions</td>
<td>4</td>
</tr>
</tbody>
</table>
Referencing


2. Mr Josh Ashlett 2015, pers.comm., January-November

3. Mr D Teed 2015, pers.comm., January-November

4. Mr S Shrosbree 2015, pers.comm., January-November

5. OECD, “Compliance Risk Management: Managing and Improving Tax Compliance”, October, 2004, Centre for Tax Policy and Administration