



TALK TAX – PROPERTY OWNERS

The Fiji Revenue & Customs Service (FRCS) together with the support of government continues to be committed to its role in ensuring that every individual, businesses, companies and other non-individual groups carry out their tax obligations diligently as required under the tax laws. As we continue to address tax and customs issues on a weekly basis, it is important to understand that the ultimate goal for the Fiji Revenue & Customs Service is to maximize voluntary compliance and to ensure that we maintain a platform of continuous partnership. Hence we value and depend on our partnership with our stakeholders, partners and the general public. As such “*Voluntary Compliance*” is not only a subject matter for non-compliant individuals and businesses but it is a behavior that requires absolute commitment, vigilance and integrity. Voluntary Compliance is all about voluntary disclosure, timely reporting, timely payments, ensuring a high level of data integrity, accuracy of information, proper record keeping and completeness.

In this week’s article we look at the tax obligations of an individual who receives income from rent of property.

Over the past years property ownership by individuals in Fiji have massively increased in terms of the number of property a particular individual would have under his or her name. Whilst government continues to provide to Fijians incentives and policies that encourages home ownership, it is also noted that such incentives have empowered ordinary Fijians and given them more choices and more control over their lives. While some Incentives have directly assisted individuals on home ownership e.g. Government Grants for First Home Buyers, VAT refund on New Dwelling House etc. other incentives like the reduction in the VAT rate and increase in the personal income threshold have indirectly assisted individuals to save money to purchase properties. This significantly allows individuals to own homes, improve lives but moreover, it increases the purchasing powers of an individual to own one or more properties simultaneously. As such it also comes to show that individuals purchase properties for different reasons. Some have purchased houses for residence purposes while others purchase homes for the purpose of investment. All of these have led to an expansionary effect on the economy.

The Reality

The Fiji Revenue & Customs Service has found that many Resident individuals who have properties in Fiji and abroad have not honestly disclosed information about their properties and sources of income. Although the government has re-opened the Tax Amnesty program for individuals it is evident that whilst some individuals have taken the step to honestly disclose such information it is unfortunate to also note that others have deliberately chosen not to comply. In some cases, the Fiji Revenue & Customs Service has seen that most individual property owners or landlords do not simply want their rental properties to be known similarly, neither do they want their rental income to be also known by FRCS. This is non-

compliance to the tax laws and is misleading to other rental income earners that want to comply. It is simply promoting tax evasion and this is not fair.

In a few cases that we've established, landlords have even agreed with tenants not to have a tenancy agreement, and by doing so this will mean that landlords will not be identified for earning rental incomes hence they do not pay income tax at all. On the other hand, tenants do not need to pay Stamp Duty since there is no tenancy agreement. As such this unlawful behavior has grown from bad to worse whereby tenants are not being issued proper receipts and invoices while at times tenants are not issued with any payment documents at all. Some individuals own 2 or more rental properties which are not being completely declared to FRCS. At times where multiple rented out properties are involved, the tax office sees that individuals declare only the income of one or two rental properties while other rental properties are not declared. This is complete negligence and provides a gateway for corrupt practices of the law. It is important to understand that where a resident individual has provided residential accommodation to a tenant regardless of whether it is in Fiji or abroad, the resident individual is required to declare to the Fiji Revenue & Customs Service the total rent received during the year. It is common to see individuals owning several rental properties but it becomes a matter of concern when the income derived by certain individuals are not correctly declared to FRCS.

Reporting Obligations

Landlords are required to declare their total rental income to the Fiji Revenue & Customs Service on a yearly basis. They are to complete a Form B tax return and ensure that their total rental income received in the tax year is correctly declared to FRCS. Where landlords are required to pay taxes they must ensure that they pay the correct tax on time. The Fiji Revenue & Customs Service will ensure that all individual landlords comply with the reporting and payment requirements at all times. As such FRCS will not hesitate to apply the full brunt of the law to any landlord that intentionally commits a tax offence.

Residential Tenancy Agreements

Where a tenancy agreement has been made between the Landlord and Tenant, the tenant is required to pay Stamp Duty on the agreement or legal instrument. This depends on the amount of rent the tenant is required to pay under the agreement made with the individual landlord. All residential tenants who have tenancy agreements with their landlords must ensure that stamp duty is correctly paid and the agreement stamped. Tenants are also hereby advised to be vigilant and aware of misleading and corrupt practices that they might indulge in as any related offenses where tenants have deliberately evaded tax will result in penalties. On the same note the Fiji Revenue & Customs Service want to ensure tenants that where they have been misled by their landlords to freely report it to FRCS. The table below shows the different Stamp Duty applicable which is based on the amount of rent paid.

| Residential Rent Amount | Stamp Duty Applicable |
|--------------------------------|------------------------------|
| 1. Below \$700 | \$10 |
| 2. \$700 to \$1500 | \$20 |
| 3. Above \$1500 | \$500 |

Annual Rental Income Exceeding \$100,000

VAT was never applicable on residential rent however effective from 1st August 2016 an individual who earns a gross rent turnover that exceeds \$100,000 from a supply of accommodation in a residential dwelling will be required to register for VAT. This means that the individual landlord is required to register for VAT once his/her gross turnover exceeds \$100,000. This also means that once the individual landlord is registered for VAT the normal VAT obligation of a registered persons will apply from the date of registration onwards. In other words, the individual or landlord will be required to charge VAT on all its rental sales, Lodge a VAT return, claim input VAT and keep proper VAT records.

Tax Amnesty

The Fiji Revenue & Customs Service wants to re-emphasize on the Tax Amnesty program. The Tax Amnesty program is granted for undeclared foreign assets and income and a General Amnesty program which is granted to Fiji resident taxpayers with a gross turnover of less than FJ\$1.5 million. The Tax Amnesty program is effective from June 30th 2017 to December 31st 2017.

The Tax Amnesty is limited to two specific streams of penalty waivers, namely:

1. Waiver of tax and penalties on voluntary Disclosure of all Offshore Assets and any other sources of income; and
2. Waiver of all penalties – applicable to those with annual gross income less than \$1.5m (except for section 46 – Audit penalties) on all accepted tax liabilities for taxpayers who genuinely need time to pay.

The Fiji Revenue & Customs Service wants to encourage individuals who have offshore assets, properties and sources outside of Fiji to come on board and disclose freely. This is an ideal opportunity for all Fijians to take advantage of this grace period that is for a limited time only.

Record Keeping

Landlords are urged to keep proper records as this is a requirement under the tax law. Records such as Receipt and Invoice Books when receiving cash from tenants for payment of rent should be well maintained as FRCS will continue come down on those who have neglected to keep such records. As such FRCS will also ensure that all income and claim for expenses are correctly substantiated by valid source documents.