

TALK TAX: KNOW YOUR INCOME TAX FILING OBLIGATIONS

Every taxpayer has the responsibility to voluntarily lodge or file applicable tax returns on time. It is rather unfortunate that many registered business taxpayers and companies fail to honor their filing obligations on or before the due date whilst some have continuously failed to lodge their returns. Whilst the Fiji Revenue and Customs Authority has invested a lot in Taxpayer education and delivered a number of awareness programs around the country, the numbers reveal that a significant percentage of Fijian taxpayers fail to meet their tax filing obligations.

In this article, we would like to provide some insights on taxpayers' obligations with regards to filing Income tax returns.

Who Should File Income Tax Returns and What Are the Due Dates for Filing?

Form S Returns for Salary and Wage Earners	<p>Form S Returns are only lodged under the following scenarios;</p> <ul style="list-style-type: none">• When someone receives a lump sum payment or redundancy payout• When his/her income is above \$270,000 a year• Part Year return can be lodged for migration clearance purposes• When there is income from 2 or more employers. <p>The statutory due date for filing is 31st March each year.</p>
Form B Returns for Sole Traders, Individuals and Partners	<p>Form B returns are filed to report on the annual business income of a taxpayer. Sole trader businesses would comprise of an individual operating a grocery shop, kava business, restaurant, taxi business, construction business, fishing business, rental activities, private practice, consultancy etc. If you are in employment and you are also deriving business income- you are required to file a Form B return.</p> <p>The statutory due date for filing is 31st March each year.</p>
Form C- Company Returns	<p>Corporate entities or companies are required to file their Income tax returns- 3 months after the end of their financial year. For instance, for a December 31 Financial year end, the due date for filing is 31st March the following year.</p>

The Company Tax Returns should be accompanied by financial statements. It is now mandatory that all returns lines are filled and it is highly recommended that the Financials be audited in accordance with the Generally Accepted Accounting Principal as approved by the Fiji Institute of Accountants (FIA).

Completing a Tax Return and Information Disclosed

When completing the Income Tax return, it is critical that taxpayers provide updated details on the forms so FRCA can correct the information captured in the Tax system accordingly. These will include contact details such as telephone and mobile numbers, email, postal address, residential and business address, bank account details, passport numbers, nature of business, trading name and list of directors, partners and authorized officers.

It is mandatory that all return lines in the tax return be filled as oppose to attaching the set of financial statements. The Tax office often receives incomplete and unsigned returns and such returns are put on hold status until the taxpayer or company completes the return. Where incomplete returns are filed or situations requiring further information, the taxpayer is informed and such returns would not be processed unless full disclosure is made.

Filing or Lodging Completed Tax Returns

An Income Tax Returns can be filed or lodged at any FRCA office Fiji wide. Each Return when lodged is given a unique lodgment number and this serves as a trail into the tax system providing the time and date of lodgment and the officer responsible. Receive stamps are available at the FRCA receiving counters to stamp the original copies as well as duplicate copies for tax agents and taxpayers. Due to geographical limitations, certain taxpayers may opt to send an electronic copy of the completed tax return via email to leu-enquiries@frca.org.fj whilst the hard copies and attachments can be delivered or posted.

Upon lodgment, each return is examined and necessary adjustments are made where applicable. Once the return is processed, a Notice of Assessment (NOA) will be generated and posted to the taxpayers which would show the amount of tax as payable or refundable.

Risk Profiling of Income Tax Returns

At the processing stage, tax returns are analyzed and also profiled with risk assessment indicators showing a significant number of the taxpaying population in these categories

1. Nil Income tax returns,
2. Income tax returns declaring continuous losses,
3. Continuous refunds and
4. Understatement of Sales and Income
5. Overstatement of Expenses
6. Expenses claimed not related to the business
7. Other fraudulent issues

Such cases are referred for full audits where findings are communicated to taxpayers and amended assessments and penalties would be raised.

Extensions of Time to Lodge and The Tax Agents Lodgment Program [TALP]

TALP was developed in partnership with Tax Agents to assist taxpayers and mainly companies for an extension of time for lodgment of their Income Tax returns. The objective of a lodgment program is to even out the load for Tax agents and the Tax office in terms of dealing with a huge number of returns to be prepared, lodged and processed at any one time.

Resources are better managed and at the same time, the completeness accuracy, quality and reliability of returns is ensured by Tax agents.

TALP applies to taxpayers who are the clients of a registered tax agent for a particular tax year. A request for an extension of time to lodge must be made by the tax agent prior to the due date of the return. The request will be treated on its own merit and an important feature for the extension to be granted is that the taxpayer has a good **compliance** standing not only in terms of income tax- but for all other taxes and up to date with required advance tax or provisional tax payments.

The Commissioner reserves the right to revoke, without restriction, any extension of time granted for the lodgment of documents. The extension to lodge may be revoked in instances where the taxpayer is involved in possible tax avoidance scheme, liquidation or in cases where it has been assessed that returns needs to be lodged immediately.

Extensions not Covered under TALP

Section 5(2) of the Tax Administration Act allows the CEO to extend the due date for lodgment of tax returns from the statutory required date and that the taxpayer will not be liable for any penalty or prosecution during this extension period.

In assessing such requests, taxpayers must provide evidence to substantiate their request for an extension; for instance, due to loss of records as a result of natural disasters, floods, fire or maybe due to the taxpayer's medical condition that prevented him to prepare his tax returns on time. Again an important feature for the extension to be granted is that the taxpayer has a good compliance history and paid up applicable advance taxes or provisional taxes.

Consequences of Failing to Lodge Tax Returns

The Tax Administration Act provides the various enforcement actions that can applied to non-compliant taxpayers. This may consist of Temporary Closure of Business[TCOB] and Prosecution for failure to lodge tax returns.

Our whistleblower program is also recording an increasing number of complaints on individuals and businesses that are involved in unregistered businesses, illegal activities, undisclosed cash dealings and possible tax avoidance schemes. These are also being profiled and analyzed.

FRCA will continue with its education and compliance programs and in return we expect citizens of this nation to abide by the law and come forward to register themselves and to lodge the tax returns that have been long overdue. The major consequence of non - compliance is that we are depriving our people the much needed developments and social benefits and we are limiting our economic potential as a nation. Non-compliant behavior will be dealt with severe penalties. Lodging returns and paying taxes is our civic duty.