



Tax Talk –Tax Agents

It has come to the attention of FRCA that some Tax Agents collude with taxpayers in falsifying VAT and Income Tax Returns so as to minimize tax or make false refund claims from the State. A number of Tax Agents are currently under investigation for knowingly and fraudulently including incorrect Invoices so as to inflate VAT Input Schedule claim. Whilst some of the Tax Invoices are genuine, the Tax Agents have been using Invoices from a separate company to be claimed in another company's VAT Input Schedule and interchangeably.

The Tax agents have been using this devious scheme for the 50 plus clients and both parties (Tax Agent and the client) would share on the refund being issued by FRCA. For Income Tax purpose, some agents compile two separate set of accounts –one to shareholders with the real profit margin for profit sharing and the other to FRCA with a low or no profit to understate income for tax. Some Tax Agents have engaged tax evasion and avoidance schemes so clients avoid paying taxes e.g. transfer pricing and non-arms-length transactions, income splitting, Base Erosion profit shifting schemes, preparing falsifying records intentionally, improper keeping of records intentionally, accepting fees for services that are solely for registered tax agents, etc. etc.

Customs Agents are also being scrutinized following the investigation of six companies by the Fiji Revenue and Customs Authority (FRCA) for alleged Tax and Customs Duty evasion amounting to more than \$15 million dollars. These six companies who are involved in the export and import trade are allegedly undervaluing their goods to evade Customs Duties as well as understating their income to avoid Taxes. A number of companies are also allegedly involved in invoicing scam.

Three other companies are also were under investigation for similar reasons have been audited and charged \$25-million-dollars in taxes and penalties. These three companies who are major importers have since paid their taxes and penalties in full. FRAC have also noted that in some cases these Fijian companies set up a limited party company either in Australia or New Zealand that buys products and supplies for the Fijian company, however upon thorough audit it was established that the product is coming from China but the invoices are generated in either Australia or New Zealand. In such cases the value of invoice can be manipulated and understated to avoid taxes.

FRCA have also established that these Fijian companies then remit monies to its overseas companies for payment of goods supplied while in fact these monies are being invested into properties and other activities. These customs cases not only investigated for tax evasion but money laundering as well.

Tax Agents are professionals

FRCA relies on Tax Agents as they play a vital role in Fiji's financial system, creating and maintaining public confidence in the tax administration. They are FRCA's key partners in the administration of the Fiji Tax system encouraging and enforcing tax compliance in Fiji. Tax Agents are knowledgeable on taxation laws of Fiji and relevant accounting principles and carry out their work with ethics and professional standard. Tax agents are independent of Government and hence FRCA often consult and seek the opinion of the Tax Agents in the formulation of tax laws and processes. Where a tax guide namely Practice Statement (PS) is created for ease of reference of a provision in tax legislation, Tax Agents are privy to comment on its draft before it is being finalized. The Tax Agents played a key role in the scrutiny and finalization of the Income Tax Act 2015. Their independent opinion ensures that the tax laws are formulated in a fair, transparent and impartial manner. Tax Agents' duties are governed under a regulation which is administered by the Tax Agents Registration Board (TARB) in Fiji.

Trust and Confidence

Trust and confidence are imperative in the Clients and Tax Agents relation. Tax Agents should have:

- ☑ increased level of competencies;
- ☑ maintain high level of integrity;
- ☑ abide by various jurisdictions of the tax law and Code of Ethics; and
- ☑ professionally deal with issues raised by their respective clients.

Ethics and Integrity

The ethical values and integrity of registered tax agents will make a positive contribution to quality tax advisory where Registered Tax agents are:

- to be compliant in their own tax matters
- required to provide advice and prepare tax returns in accordance and within the jurisdiction of the tax laws.
- to work in the best interest for the compliance of tax laws for their clients.
- maintain the ethical and professional standards when liaising with clients or any of the Officer of FRCA.

FRCA in consultation with FIA is developing a Code of Professional Conduct that would regulate the personal and professional conduct of all registered tax agents.

Honesty and integrity

Tax Agents must act with honesty and integrity and must comply with the taxation laws in the conduct of their personal affairs. Where they have received money or other property from or on behalf of a client, these must be properly accounted for in the return of income and in the financial statements.

Independence

Tax Agents must act lawfully in the best interests of their client but in compliance with tax laws. All transactions must be at arms-length. Agents must have adequate arrangements for the management

of conflicts of interest that may arise in relation to the activities that they undertake in the capacity as a registered tax agent.

Competence

Tax agent must provide competent services and must maintain knowledge and skills relevant to the tax agent service that is provided. All reasonable care should be taken when ascertaining a client's state of affairs. Reasonable care must be taken to ensure that taxation laws are applied correctly to the circumstances in relation to advice which is provided to a client. Tax Agents must

advise their client of the client's rights and obligations under the taxation laws that are materially related to the tax agent services provided.

Accountability

Despite the many public awareness, amnesty programs, support services and media coverage on voluntary compliance, some taxpayers are still running away from their tax obligations. Those found will face the full brunt of the law and the cases will be made public to send a strong signal to the public, in particular for those who are dodging the tax system thinking that they will not be caught. Government relies on Tax Agents to be honest in providing Tax Services to Fijians. At the same time there will be heavy penalty for assisting and encouraging others to defrauding the Government.

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