



Tax Talk -VAT challenge

VAT is a compulsory tax for all registered person(s) and businesses in Fiji. However, ensuring VAT compliance is still a challenge for FRCA.

It has recently come to our attention, that some accountants are providing incorrect advice to their clients which leads to them to file incorrect VAT returns. It is a chargeable offense under the law to knowingly file incorrect VAT returns.

Ease of doing business in Fiji

In an effect to ease the process of VAT filing, FRCA introduced a VAT self-assessment system in 2015. The VAT Self- Assessment system is based on the premise of trust and partnership with the business community.

With the system, the onus is on taxpayers to correctly calculate and pay their correct taxes without FRCA issuing a notice for payment. The VAT Return filed by the taxpayer serves as a Notice and there is no manual intervention for inspection or audit as the return is automatically processed. So where VAT is payable, the business person will know the exact amount to pay as he or she prepared the VAT return.

The VAT return filed is receipted and processed systematically as FRCA will deem that the VAT return is true and correct and in accordance with the law. FRCA will issue the Notice of Assessment as well as the Statement of Account to show that the payment matched that of the return and the summary status of the person(s) tax affairs.

In the case of a VAT refund, the system will automatically generate refunds to the respective bank account of the business person without any interference and delay. However, refunds will

be held back in cases where there is an alert based on our risk profile analysis or in cases where there are outstanding VAT return or tax arrears.

Checks and balances

We encourage all VAT registered person(s) and businesses to use the VAT self-assessment system. FRCA is mindful of the threat that some people may take advantage of the system so we carry out regular risk analysis and profiles to identify high, medium and low risk cases and the likelihood that they will defraud the system.

Apart from the risk profile and analysis, we also consult and share information with our stakeholders to assist identify tax dodgers. Currently a list of all construction works being awarded to construction companies is being shared to reconcile the tender award amounts and the sums declared in the VAT Returns.

Last week, FRCA conducted awareness session with construction companies and sub-contractors on the importance of voluntary compliance for the central division. Similar tax awareness sessions will be conducted in the Western and Northern divisions in the months of June and July to industries that have been identified as a risk in terms of tax compliance.

Trying to evade tax

Most crimes identified in the VAT system by VAT registered persons is through the VAT Input Schedule. Using the Input Schedule, businesses claim bogus invoices from a company that does not exist or is not registered for VAT purpose(s).

In many cases, especially for those operating in the rural areas, their unknowingly claim invoices from unregistered persons because they are not familiar with the VAT laws. These are border line cases and are attended to on a case by case basis.

When a person files a VAT Return, FRCA conducts a post assessment to verify the figures and the necessary documentation. These desk audits are done in all FRCA office Fiji wide.

Dealing with fraudulent claims

When a perpetrator is identified, FRCA will not hesitate to apply the maximum penalty for engaging in such fraudulent activity. People who knowingly defraud FRCA and try to beat the system will face the full brunt of the law.

The identification and prosecution of such cases is fair for honest paying taxpayers and such provides security and confidence to business community.

Liable to register for VAT

A VAT registered person / business is required to adhere to the VAT Act from the date that they register for VAT or from the date that they are liable to register. VAT registration is compulsory for businesses whose annual gross turnover is above \$100,000. This also means that FRCA will deem a person liable to be registered for VAT even though they have not registered.

FRCA has noted that some businesses that started out as Small to Medium Enterprises (SME) have grown to large corporations with total sales exceeding \$100,000 but yet to register for VAT. FRCA will not take such cases lightly. A prudent business person should be able to forecast and estimate how much sales the business will make in the next 12 months and ensure tax compliance accordingly. Even when the business is in operation, the business owner should be aware that once their gross sales exceeds the \$100,000 threshold, FRCA will identify them as being VAT registered and all business sales will be deemed VAT inclusive. If you are not sure of your tax obligations, you can seek assistance from FRCA or a tax agent.

VAT Trust

FRCA has also discovered serious non-compliance behavior in terms of the non-lodgment of VAT returns and overdue payments. Taxpayers are strongly reminded that VAT is trust money and must be paid to FRCA on time. The penalties applied on VAT offenses is more severe (penalty is 300% of owing VAT total and a jail sentence) compared to that of direct taxes e.g. Income Tax. VAT is an indirect tax which is paid by the consumer to a business. It is the duty of the business to remit this to the Government. Any abuse of such trust fund could mean a fine or even a prison sentence.

Unregistered Tax Agents

The business community is also advised against engaging un-registered tax agents for preparation and lodgments of VAT returns. Some taxpayers have paid substantial amount of fees to the un-registered tax agents however neither returns were lodged nor payments remitted to FRCA. Under the Income Tax Act only a registered tax agent is allowed to charge a fee for any tax consultation. Hence, it is a serious offence for an unregistered Tax Agent to be charging for any tax service provided. Furthermore, any expense claimed as a deduction by a business person for services conducted by an unregistered Tax Agents will not be allowed. Refer to our website www.frca.org.fj for a list of all registered tax agents.

FRCA is here to serve taxpayers so that they operate effectively and efficiently through the use of the VAT Self-Assessment System. The business community is encouraged to communicate and use the FRCA services and they are most welcome to call or visit any FRCA Fiji Wide if they need assistance understanding their tax obligations.