



TAX TALK -LOCAL ONLINE BUSINESSES

Internet has changed the way consumers purchase goods and services, letting them buy anything from groceries to a flight anywhere at the click of a button. The internet has also given sellers new opportunities to widen their reach by having an online shop to complement their retail presence. In Fiji, we have noticed an increase in the number of people involved in online retailing.

What is online business?

Online Businesses are those that use the internet to buy and sell their products primarily for the purpose of making profit. These businesses operate on a daily basis through the use of the internet either through business sites or social media. One of the most common places we find these online businesses operating these days is through the use of Facebook pages where individuals can order and purchase efficiently.

Do they need to register?

Any business that operates needs to be registered for tax purposes. Both the business and owner or director are required to be correctly registered with the Fiji Revenue and Customs Service (FRCS) for a Tax Identification Number. All businesses in Fiji must register a TIN upon starting the business regardless of the type, size or mode of operation. It is mandatory for online businesses to register for a TIN because they generate income through business activities. All business income must be declared using the necessary Tax Return forms for an assessment by FRCS.

Online business operators will be required to complete the prescribed forms for TIN registrations and other taxes which are available by following the FRCA website link <http://www.frca.org.fj/taxation-forms-tax-registration-change-of-address/>. Also note that depending on the type of business, online business operators must ensure that the necessary requirements are provided at the time of lodgment.

Online businesses can follow the given link for the requirements for TIN registrations <http://www.frca.org.fj/wp-content/uploads/2015/09/TIN-Registration-Brochure-Final.pdf>.

Owners of these online businesses can visit any of our FRCS offices near them for registration of business. Alternatively, they can send their applications to info@frca.org.fj.

Registration for VAT

Online businesses are required to register for VAT (Value Added Tax) if their annual gross turnover or sales exceeds \$100,000. Once registered, the business becomes a collecting agent for the Government and is required to charge VAT on all sales made and file VAT returns as well as make VAT payments.

Tax Evasion and e-Commerce

A real example of an online business that may be evading tax are those individuals who bring clothing or shoes from overseas. These items are declared at our port of entry as personal goods and the

importer is not charged duty but these same goods are then sold or resold for profit through online sale. This is clearly one way whereby individuals evade paying taxes. Therefore, the income is derived but is not declared to FRCS, for example, Facebook sales.

It is not easy to monitor these types of operations i.e. online businesses, however; we extend our services to assist your business in ensuring that the operation is tax compliant and that the business will voluntarily declare its total business income. We have a compliance team which identifies risk business industries and operators and profiles them for audit. We also work with other Government agencies e.g. Registrar of Companies and Reserve Bank of Fiji in identifying suspicious financial transactions to assist in our monitoring process.

Tax evasion is a serious offence and carries severe penalties. The filing of returns and the payment of taxes should be seen as priority for any business and this process can be made a lot easier as long as all accounts are kept in order. Tax payments can be set up as direct debits from the business bank account which also removes the risk of being hit with large penalties for non-compliance when payment becomes due. Missing tax lodgment and payment deadlines could mean FRCS placing a garnishee on your bank account; or a caveat on your property; or seizure of your goods; or not allowing you to fly out of Fiji through a Departure Prohibition Order; or taking you to court. Tax penalties will also apply to those online businesses who are detected by our audit and inspection team for not fully declaring their income. Hence, online business operators are urged to voluntarily come forward and declare their full business income to ensure that they are not penalized.

General Amnesty Waiver

The General Tax Amnesty allows Fijian businesses entrepreneurs whose annual gross turnover does not exceed \$1.5 million to voluntarily come forward to register, file their tax returns and pay their taxes without FRCS issuing penalties. Online businesses who have not been registered and have not lodged a business tax return are encouraged to take advantage of this amnesty period as all penalties (except for audit penalties) will be waived. The amnesty also allows those who have filed their tax returns but believe that they may have made under-declarations, can make amendments to correct their tax returns in order to pay correct taxes. This is an ideal time for online businesses to voluntarily come forward and register, declare their business income with FRCS, and pay the due taxes without being penalized. The Tax Amnesty period is only effective from 30th June to 31st December 2017.

Record keeping for online business

It is important for online businesses to maintain proper records for all business transactions for a minimum of seven years. Records such as Receipts and Invoices etc. is essential for tax purposes as claims for business expenses will only be allowed by FRCS if there are valid source documents. Records can be either in hard-copy form (paper records) or soft-copy (electronic records). Record-keeping – in fact cannot be over emphasized as it is critical for tax purposes. The Fiji Revenue & Customs Service will ensure that all businesses fully comply with the record keeping standards as required in the tax laws. This will enable business owners to assess and evaluate progress and also contributes well to correct decision making in ensuring business performance is maximized. Therefore, online businesses must maintain proper records for FRCS's audit and inspection purposes.

Conclusion

The Fiji Revenue & Customs Service again urges online business operators to come on board and comply with the tax laws of Fiji to avoid being penalized. As such online business operators are also encouraged to take full advantage of the tax amnesty period as this will relieve them from tax penalties.

Similarly, online business operators that have already been registered but have yet to comply are also encouraged to voluntarily comply. The Fiji Revenue & Customs Service will not hesitate to apply the full brunt of the law to those online business operators that have deliberately evaded tax by not performing their tax duties.

If you are an online business operator and you are not sure of your tax duties, you can call us on 324-3000 or you can simply send us an email on info@frcs.org.fj and our team will be prepared to assist you on your tax need. In light of this FRCS also wishes to advise online business operators that we also provide advisory services on a free of charge basis. Hence we can visit your business premises at a time convenient to you to conduct awareness and training that is custom made to address your business tax needs.

The Fiji Revenue & Customs Service wants to ensure that online business operators are equipped with accurate information for compliance and that such information is followed. The Fiji Revenue and Customs Service is here to ensure that online businesses are tax compliant at all times.