

Tax Talk - PROVISIONAL TAX AND CERTIFICATE OF EXEMPTION (COE)

FT: Please explain about the Provisional Tax that is applicable to businesses.

CEO: Provisional Tax is a 15% tax withheld on the gross payment arising under any contract for services, including progress payments under a contract. Under law, the payer is required to withhold 15% of the payment and remit the amount to FRCA within 30 days after the end of the month in which the deduction was made. Any such deduction will be allowed as a credit against any tax assessed on the payee.

FT: Is there a threshold on the amount of fees charged for the Provisional Tax to be applicable?

CEO: The threshold is FJ\$300 and provisional tax of 15% shall be applied on annual payments that exceeds the threshold amount.

FT: Is the Provisional Tax credited to the taxpayers account?

CEO: The 15% Provisional Tax is an advance tax which will be allowed as a credit against any tax assessed on the business after the related year's original return of income is assessed?

FT: Are those receiving commission subject to Provisional Tax as well?

CEO: Yes, taxpayers who are in receipt of commission income or income from the performance of contracts for services, by means of deductions at source from gross payments due to them from such commissions or contract payments are subject to Provisional Tax. However with a valid Certificate of Exemption (COE), the 15% provisional tax will not be deducted from the payment.

FT: For SMEs the 15% gross deduction is quite high, how can FRCA assist?

CEO: A Certificate of Exemption (COE) will assist those businesses that have a tight cash flow in that the 15% Provisional Tax will not be deducted by the payer if the COE is presented. The COE provision is particularly available to taxpayers who are engaged in contracts for service. Any person provided with the COE will be required to lodge a Return of Income at the end of the financial year where the correct tax payable will be assessed.

FT: What is required when applying for a Certificate of Exemption?

CEO: When applying for a Certificate of Exemption a new applicant will be required to complete the application form for Contractors Provisional Certificate, however, those wanting a renewal will have to present their expired Certificate of Exemption. Taxpayer applying for COE must update all tax matters prior to the next renewal or a mutually agreed arrangement is in place.

FT: Where can we lodge the application for a Certificate of Exemption?

CEO: Application for COE can be lodged at any of our offices Fiji wide and the Certificate of Exemption can be collected directly from Counter Serving Officers in the front line or via email to officers. All new applications, renewals and extension of COEs shall be processed within the same day provided the two requirements are satisfied; firstly, all returns have been lodged to date; and secondly there is no tax liability. The tax compliance criteria include returns and liability of Directors of the Company, partners of a Partnership and Beneficiaries of Estate and Trust.

FT: How long is a Certificate of Exemption valid for?

CEO: Compliant taxpayers will be granted 12 months validity and those that have outstanding tax issues and have made satisfactory arrangements with FRCA, will be provided with a Certificate of Exemption up to 6 months.