

OFFSHORE REMITTANCES AND TAXES

FS: Do we have to pay tax for remittances sent to Fiji?

CEO: No, there is no tax for inbound remittances unless this is payment for supply of Goods or Services from Fiji Resident persons. Foreign incomes are Zero Rated for VAT purposes and these are also 50% Exempt from Income Tax.

Other foreign remittances by Fiji Residents or former Fiji Residents and Friends will not have any tax implication on these. FRCA knows that many Fijians living abroad support their loved ones here in Fiji and we welcome such remittances.

FS: Is there any tax on remittances sent from Fiji?

CEO: We do not have a 'remittance tax' as such; however, taxes would be applicable on any remittance being sent for service or royalty payment. Please note that any person wanting to remit money abroad will require a tax clearance from FRCA. Effective 1st September, 2015; any payment relating to all service and royalty payments that are valued up to \$20,000 has to be stamped "Remittance Approved" from any FRCA office Fiji wide before the documents are taken to the Banks, Foreign Exchange Dealers and Financial Institutions for remittance.

FS: How long does it take FRCA to process such clearance?

CEO: The payment invoices will be stamped "Remittance Approved" at any FRCA office Fiji-wide and should be no more than 5 minutes process. We have two authorized signatories at each FRCA Office to ensure continuity and convenience for our customers.

FS: Are education fees and medical fees subject to withholding tax?

CEO: No, There is no withholding tax on remittance payments for education, medical, travel funds, and import advance payments.

FS: In 2014, FRCA had announced that only persons making remittance above \$20,000 would be subject to tax clearance, why is FRCA now requiring a tax clearance for those remitting lesser?

CEO: In an effort to improve its taxation systems and processes to prevent Tax revenue leakages whilst facilitating Fiji's business sector, FRCA has had to review the financial limit for Overseas Remittances without Tax Clearances due to non-compliance by Taxpayers. The Authority has noticed non-payment of taxes for Service and Royalty payments where; Non-Resident Miscellaneous Withholding Tax, VAT Reverse Charge and Royalty Withholding Tax are correctly due but not paid. There have been cases where some services and royalty payments have been included with the goods invoice to evade paying taxes. We hope that our taxpayers will act responsibly to comply with their tax obligations. At the same time FRCA will continue to facilitate efficient tax services to assist all entrepreneurs with business engagements in Fiji.

FS: What services are subject to withholding taxes?

CEO: A 15% withholding tax is applicable on the following types of services:

- Professional fee – this include independent scientific, literacy, artistic, educational or teaching activities; as well as independent activities of physicians, lawyers, engineers, architects, dentists and accountants and other Professional Services;
- Management fee – this is in respect of industrial, agricultural, scientific or commercial advise or management of technical services or similar services or facilities including consultancy service, but not including independent personal service;
- Know how payments; and
- Royalty payments.

Re-insurance other than life insurance will be subject to 3% withholding tax.

FS: Will the above services be subject to VAT as well?

CEO: Yes, a VAT or specifically VAT Reverse Charge of 15% will also be charged on remittance on the above services payments. However, a VAT registered person can claim back the VAT Reverse Charge paid as a VAT refund, where as a non-registered person cannot claim this back.

FS: How do you calculate the withholding taxes?

CEO: There can be two scenarios: Firstly, where gross amount (Invoice value) is to be remitted, Withholding Tax (WHT) and VAT Reverse Charge (VRC) is calculated on the grossed up value. This means that the Invoice value to be remitted is the net value less the taxes. When grossing up the invoice value is divided by .85 and then WHT and VRC are applied on the grossed up amount. Secondly, where net amount is to be remitted, the Withholding Tax and VAT Reverse Charge is to be calculated on the Invoice value and deducted accordingly.

The calculation for gross up and net method calculated as follows:

<u>Gross Up Method</u>				Tax Payable
Value to be sent offshore	\$10,000.00	85%		
Gross up – divide by .85	\$11,764.71	100%	WHT 15% on 11,764.71	\$1764.71
VRC @ 15% on \$11,764.41	\$13,529.41	115%	VRC 15% on 11,764.71	\$1,764.71
<u>Net Method</u>				
Value of invoice	\$10,000	100%		
WHT @ 15% on \$10,000	\$10,000	100%	WHT 15% on 10,000	\$1,500
VRC @ 15% on \$10,000	\$10,000	115%	VRC 15% on 10,000	\$1,500