

Talk Tax – Local Online Businesses

FT: What is online business?

CEO: 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 is through the use of Facebook pages where individuals can order and purchase efficiently.

FT: Are these online business operators required to register their business?

CEO: Yes they are required to register for tax purposes. Both the business and owner or director are required to be correctly registered with FRCA 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.

FT: Why are online businesses required to register for a TIN?

CEO: 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 FRCA.

FT: How does an online business register for tax purposes?

CEO: 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>

FT: Where can online business operators lodge their application for registrations?

CEO: They can visit any of our FRCA offices near them for registration of business. Alternatively, they can send their applications to info@frca.org.fj.

FT: Are these businesses also required to register for VAT?

CEO: Yes, 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.

FT: Can you explain perhaps one type of online business example that may evade tax through e-commerce?

CEO: 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 FRCA, for example, Facebook sales.

FT: Does FRCA have a system in place that monitors online business operators?

CEO: 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.

FT: Do online business operators have to maintain records?

CEO: It is important for online business to maintain proper records for all business transactions for a minimum of seven years. The records can be either in hard-copy form (paper records) or soft-copy (electronic records). Record-keeping will enable the business owner to assess and evaluate progress as well as to make the right decisions in ensuring that the business performs to the best of its ability. These businesses must maintain proper records for FRCA's audit and inspection purposes.

FT: Are there tax penalties that apply to those who are operating online businesses but not declaring their income to FRCA?

CEO: 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. Any person with an annual business turnover of \$100,000 or more, must register for VAT and, depending on the lodgment status – a monthly, quarterly or annual VAT returns on file is a must as this can help to ensure payments of any liabilities are met. 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 FRCA 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.

FT: Is there a process to report illegal online businesses?

CEO: Yes, any illegal online business operation can be reported to FRCA on our toll free line which is available 24/7. We also have a whistle blower policy which allows individuals or the general public to report businesses that operate unlawfully without declaration of business income. The whistleblower can receive a reward of up to 10% of tax recovered successfully.