

# Requirements for tax

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For VAT purpose, FRCA says there are some clear guidelines for SMEs, in that they can operate on a cash basis. Picture ATU RASEA

THE Fiji Revenue and Customs Authority (FRCA) is encouraging small and medium enterprises (SMEs) to make use of the various tax incentives. According to the taxman, FRCA will continue to offer assistance and advice to SMEs. This week, Business reporter

ROPATE VALEMEI explores more about FRCA's role in assisting SMEs as well as the requirements and challenges regarding tax and VAT for this sector.

TIMES: What are some of the requirements by FRCA for small and medium entrepreneurs?

FRCA: All small and medium businesses are required to register with FRCA for income tax purpose. When registering for income tax, a SME will be required to complete the income tax registration form, value added tax (VAT) supplementary registration application form, (if SME wishes to register for VAT), certificate of business registration, and some form of identification and details. For example, voter registration card, copy of driver's licence.

Where the SME employs individuals as workers, the SME is required to register as an employer and for PAYE purpose, if the SME operates a car rental or hire, homestay etc. then he or she maybe be required to register for service turnover tax.

Depending on the type of service, there are different types of tax registration. To open a bank account for the SME, it is a requirement by the banks that the SME provide to the bank its tax identification number.

TIMES: What does FRCA think of SMEs industry in the country?

FRCA: This is a critical industry and one that needs to be carefully nurtured. The Government has provided tax allowances and incentives for industry. Sole trader whose net income is not more than \$16,000 will not be paying income tax. Those that engaged in the agricultural sectors are exempted from income tax if their income does not exceed \$500,000 and there is zero duty for agricultural machines that are imported into the country.

TIMES: How much do small businesses pay in order to get licences and how much do they pay for tax and VAT?

FRCA: There is no fee charged or levied by FRCA for income tax or other tax registration.

TIMES: What is FRCA's review of this industry of the years in terms of paying VAT and tax?

FRCA: Under the VAT Decree, any person whose annual gross income exceeds \$100,000, is obligated to register for VAT purpose and must abide by the VAT Decree. However, most SMEs don't exceed the annual gross income of \$100,000 and hence are not required to register for VAT but can voluntarily register for VAT.

Some SMEs prefer not to register for VAT, hence do not have to lodge VAT returns and that their charges will be lesser than those that are registered for VAT. Some SMEs prefer to register to register for VAT as they intend to compete with the big business, they maintain proper books of records, are able to lodge VAT returns and are able to pay VAT on time.

Once registered for VAT an SME will be required to charge VAT on all their sales, maintain a proper Tax Invoice, claim VAT on business related purchases and expenses, lodge VAT return and pay VAT on the stipulated times and maintain a proper records in English for seven years.

For income tax, the SME is required to lodge a business return the end of March following the business calendar year. FRCA collects good revenue from those SMEs that are registered for VAT. As for Income Tax, because most SMEs are below the \$16,000 threshold, they don't pay Income Tax.

TIMES: What are some of the challenges for FRCA in terms of collection of these VAT and tax?

FRCA: SMEs sometimes do not lodge VAT returns on a timely basis. We've had to call, write and in cases have had to take serious steps in engaging them to lodge returns and pay the correct taxes. The penalty for late lodgement of a VAT or income tax return is 20 per cent and for late payment is 25 per cent of the tax due or assessed.

For SME whose annual gross turnover is less than \$300,000, they can opt to lodge VAT returns on quarterly or annually from the monthly basis. There are some SMEs that have registered in error, for them, we assist by deregistering them from VAT.

For those that want to de-register as they fall below the annual gross income of \$100,000, they will need to apply in writing, and before they are de-registered, they will have to account VAT on any asset or stock retained.

TIMES: Is VAT and tax standard for all companies or is it different depending on their sizes?

FRCA: For VAT purpose, there are some clear guidelines for SMEs, in that they can operate on a cash basis. This means that they will only pay VAT when a cash sale transaction happens.

For big companies whose income is more than \$100,000, they will be required to account for VAT on an accrual basis.

This means that even when making credit sales, they will need to account for VAT even though they have not received the cash.

For income tax purpose, a sole trader, will only pay tax when the net income exceeds \$16,000, however, for a company, tax is applied on every dollar of net profit. We have our tax offices Fiji wide and we also do trainings and advise free.