Fiji Revenue And Customs Authority: Tax And You

http://fijisun.com.fj/2015/08/15/fiji-revenue-and-customs-authority-tax-and-you-3/

August 15
08:39 2015
Print This Article Share it With Friends

by Compiled by Rachna Lal, SUVA 0 Comments

Like all locals working, expatriates are also subject to taxation according to the laws of our country.

While it's easier for some organisations to understand how tax is applied to these foreigners' income, it may not be the case for others.

The tax applicable to the foreign individuals differ from what locals pay and therefore understanding how it works becomes all the more important.

Therefore this week in our Tax & You section, we spoke to the Fiji Revenue and Customs Authority chief executive, Jitoko Tikolevu, in tax applicable to foreign individuals.

Taxation on expatriates working here:
How do you tax foreign individuals engaged in Fiji?
Foreign individuals are taxed depending on their work contracts and their place of residence. It will defer for each individual foreign contractor and hence the assessment will be made on a case-by-case basis.

Some foreign employees work and live in Fiji for short periods e.g. less than a year whilst others stay and work in Fiji between one to three years. For FRCA is it important that we determine their residency status for tax purpose. .
Why is it important to have the correct residency status for tax purpose?
Firstly, residents are taxed on their worldwide income whilst non-residents are taxed only on income earned or derived here in Fiji.
Secondly, the tax method applied for a non- resident compared to a resident is different. A

resident individual would start paying tax when his or her salary exceeds the annual tax threshold of $16,000. However, a non- resident individual would be taxed on every dollar earned.
Thirdly, this is to ensure that the taxpayer is not taxed twice but pays tax in only one country.

How would you define a resident from a non-resident individual for tax purpose in Fiji?
The definition of resident and non-resident is clearly articulated under section 2 of the Income Tax Act. Resident means a person, other than a company, who resides in Fiji, and includes a person whose domicile is in Fiji, unless the

Commissioner is satisfied that his permanent place of abode is outside Fiji; or who has actually been in Fiji, continuously or intermittently, for more than 183 days of the income year, unless the Commissioner is satisfied that his usual place of abode is outside Fiji and that he does not intend to take up residence in Fiji.
In the case of a company, a company which is incorporated in Fiji, or in the case of a company not incorporated in Fiji, a company which carries on business in Fiji and has either its practical management and control in Fiji or its voting power controlled by shareholders who are residents.
Non-resident means a person who, or a company which, is not a resident.

If a foreign individual is employed in Fiji for only five months, would he or she qualify as a resident?

There are three tests to determine residency and for this you have to have facts e.g. contract, employer records, immigration records etc.The first test is the residence test, if you reside in Fiji, you are considered a Fiji resident for tax purposes.
The second test is the domicile test. If your domicile i.e. permanent home is in Fiji then you would qualify as a resident. And the third test is the 183 days test.
If you are present in Fiji for more than 183 days, you may be regarded as a Fiji resident. Please note that if the Commissioner is satisfied that your usual place of abode is outside Fiji and you have no intention of taking up residence here in Fiji you will be classified a non-resident.
The first test is the more general and important one. An individual who would be a resident of Fiji in the normal everyday sense of that term, is a resident for tax purposes.
The function of the second and third tests is to expand the tax definition beyond the everyday meaning of resident.
Only if an individual is judged not to be a resident in the everyday sense, attention needs be given to the second and third tests.

Do we have to satisfy all three tests or one will be sufficient to be classified a resident?
When a taxpayer comes to ‘live’ and ‘work’ in Fiji, we have to first consider whether he is a resident under the first test.
Note, that while the function of the second and third tests is to expand the tax definition of resident, an individual could be a resident under the first test, while not satisfying the second and third.
For example, an expatriate who arrives in Fiji in September for a three year employment contract will be a resident from September to December in the year of arrival.
The same person will not have a domicile, or be physically present in Fiji for 184 days of the year of arrival. Some taxpayers just come to work for a short term then return back to their

home.
How about foreigners who are employed in Fiji for a longer term e.g. 1 to 3 year term?
Foreigners on a one to three year employment contract are treated as residents from the date of arrival because they will actually need to live here for a number of years to do their work but their foreign income may be exempt under section 17 (32).

How about Fijian nationals living abroad?
Fiji nationals are generally treated as residents if they live here or their home is here. We also look at where their economic and social ties are.

Once they migrate, their domicile changes and they no longer live in Fiji so then become non-residents. If they don't migrate but live both in Fiji and overseas, there are other factors to consider such as number of days present in Fiji.

For Fiji Government's Dual Citizenship programme – the individuals are treated residents for tax purposes from the date of dual citizenship.

Can a foreign employee claim as a tax credit in his or her place of residence the tax paid here in Fiji?
Depending on tax laws of respective countries, some countries may tax twice. |

However, we have engaged in a double tax treaty with some of our major trading partner countries and this allows for foreign consultants to claim for a tax rebate in their country of residence.

What is Double Tax Treaty?
A double taxation treaty is an agreement usually between two or more countries, to facilitate and promote trade through an accommodating tax scheme.

This means that any person will only have to pay tax once, either in their place of residence or at the place of performance if in another country.

The agreement paves the way for new investment opportunities and trade relations between two countries and new avenues of co-operation. It would also contribute to the development of co-operation between two countries in the financial and business sector.

Fiji has signed Double Tax Agreements with New Zealand, United Kingdom, Japan, Korea, Australia, Malaysia, Papua New Guinea, Singapore, Qatar and the United Arab Emirates.

Feedback: rachnal@fijisun.com.fj