



## **Tax Talk- Duty Evasion**

Steady increases in trade volumes and complexity in recent years have significantly changed the operating environment for the international trading community. They have highlighted the negative impact of inefficient border procedures on governments, businesses and ultimately on the customer and the economy as a whole.

Trade facilitation is particularly important for developing countries like Fiji. It enhances goods and people flow which directly impacts economic activity and multiplier effects that grows the economy and tax base. It brings more efficient and reliable tax collection, a particularly important consideration for an economy like us that depends on taxes to finance our public administrations.

With Revenue and Customs aim for effective and efficient trade facilitation, partnership with stakeholders is imperative. We will look into the importance of voluntary compliance, improving processing time, determining the correct tariff classification, valuation of goods and other documents produced to with Customs Entry at Points of Clearance and authentication of appropriate tax and duty payable.

Traders, Customs Brokers and Agents are well aware of what happens at our borders. We provision under the legislation whereby traders can voluntarily disclose errors and omissions pertaining to cross border transaction without any penalties.

While Revenue and Customs commends those traders that have voluntarily complied in the recent past, it also encourages other traders to come forward and comply with tax and customs laws of the Fiji.

Like other tax and customs administration, Fiji is also vulnerable to fraudulent activities, however we have compliance improvement strategies to combat such non-complaint traders.

### **Fraudulent activities at our border**

Millions of dollars maybe lost annually through under/over-valuation of goods. The fight against fraudulent cross border transactions has become an international issue, and the search for ways to combat this has resulted in many initiatives being taken on a global level.

Fiji has partnered with other Customs Administrations in the region for exchange of information and data sharing in identifying corrupt practices. This is possible through mutual agreements, multi-lateral and bi-lateral agreements and MOU's. The collaboration with other Customs Administration and law enforcement agencies is imperative to combat cross-border fraudulent activities.

Individuals and Traders engaged in customs fraud are liable for penalties and prosecutions as provided for under the Customs legislation.

**Some common customs fraud are:**

- Mis-description and incorrect classification of goods – e.g. Importer importing garments but declaring it as fabrics and paying less duty.
- Under valuation of goods- traders producing fictitious invoices with lower value of goods with the intention of evading proper duties. Traders engaging services of graphic designers to produce fictitious invoices.
- Over-valuation of goods- traders over invoicing zero rated or goods attracting lower duty rates with the intention of shifting their profits abroad and paying less taxes, a common regime used in trade based money laundering using transfer pricing.

Revenue and Customs has noted that most cases of undervaluation and overvaluation is prevalent in related party transactions whereby traders have established related business entities abroad which are used to facilitate such type of fraud. transactions.

**Illicit imports**

In Fiji, we have confiscated illicit imports and apprehended those in the business of smuggling such imports including illicit drugs, undeclared currencies and prohibited goods. These confiscation and apprehensions on smugglings were from internationally registered visiting fishing vessels, yachts, traveler's and parcel post. Through information and data sharing with our counterparts abroad, Revenue and Customs is able to apply risk management techniques to risk profile and target high risk fishing vessels and yachts visiting Fiji, parcels and individuals.

**Partnership with Stakeholders**

Whilst there is competition in the market for Customs Agents, we are aware that importers shop around so as to obtain the cheapest deal, however, the low charge given by an Agent should not be used to understate duties hence defrauding the Government. We request the Customs Agents to work with integrity by providing importers with correct and sound advice.

The Agents need to be honest when compiling and submitting the trade entry thus declaring the correct imported goods and importantly the tariff rate applicable. We cannot emphasize enough the importance of voluntary compliance. When you undervalue or defraud duties and taxes, you not only deprive the Fiji Government but the people of Fiji from much needed development and social services.

**Penalty Regime**

The penalties for Customs Fraud is very clear under Customs Act.

**1. Customs Offences - Under Section 137 of the Customs Act:**

The penalty is \$25,000 or a term of imprisonment not exceeding 10 years or both

**2. Penalty for fraudulent evasion of duty: under s139 of the Customs Act**

*“is liable to a fine not exceeding 3 times the value of the goods or \$25,000 whichever is the greater or a term of imprisonment not exceeding 10 years, or both”.*

The difference between Section137 and Section139 is that Section137 are strict liability offences whereby it does not have to be proven but the offence is committed whether by lack of knowledge, negligence or being reckless

As for Section139 – the intent has been proven that the importer deliberately intended to evade duty.

Partnership and stakeholder engagement is our goal and Revenue and Customs is willing to work with you all the time. Let us work together to build better future for all Fijians.