



TAX TALK – ONLINE BUSINESS TAX OBLIGATIONS

This week in Tax Talk, we look at how the Internet is changing the way we do business and the taxation obligations of those who conduct their business online.

The Internet has changed the way consumers purchase goods and services, with sellers taking advantage of the opportunity to widen their reach by having an on-line ‘shop’ or presence. Anything, from groceries to an airline ticket, can be bought on-line, at the click of a button. In Fiji, there has been an increase in the number of people involved in online retailing, reflecting this worldwide trend.

What is an online business?

An online business uses the Internet to buy and sell products for the purpose of making a profit. It uses a business website and/or a social media site to operate on a daily basis.

One of the most common places used by an online business is Facebook, where customers can easily order and purchase goods.

Do I need to register my online business?

Any business that operates in Fiji needs to be registered with the Fiji Revenue and Customs Service (FRCS) for tax purposes. This includes all online businesses operating in Fiji.

All businesses in Fiji must register for a Tax Identification Number (TIN) upon starting a business, regardless the type, size or mode of operation. Thus, it is also mandatory for online businesses to register for a TIN because they generate income through business activities.

How do I register my on-line business with FRCS?

Both the business and its owner, or director, are required to be correctly registered with FRCS for a TIN.

The prescribed forms for TIN registrations and other taxes are available on the Revenue and Customs website.

For an assessment by FRCS, all business income must be declared, using the appropriate Tax Return forms.

On-line business owners can visit any of our FRCS offices for the registration of their business. Alternatively, they can send their applications to info@frcs.org.fj.

Do I need to register my business for VAT?

If the annual gross turnover or sales of your online business exceeds \$100,000, you are required to register the business for VAT (Value Added Tax). Once registered, the business is required to charge VAT on all sales made and file VAT returns, as well as make VAT payments. A VAT-registered company or business acts as a collecting agent on the behalf of Government.

What records do I need to keep, and for how long?

It is important for online businesses to maintain proper records for all business transactions for a minimum of seven years. Record keeping cannot be too strongly emphasised, as it is critical for tax purposes. Records can be either in hard-copy form (paper records) or soft-copy (electronic records).

Why do I need to keep these records?

Online businesses must maintain proper records for FRCS's audit and inspection purposes.

It is also essential to keep records such as receipts and invoices for tax purposes, as FRCS will only allow claims for business expenses if there are valid source documents to back-up your claims.

Not only does FRCS ensure that all businesses fully comply with record keeping standards as required in the tax laws, keeping records enables business owners to assess and evaluate the progress of their business. It also contributes to their ability to maximise business performance through making informed and correct decisions.

The filing of returns and the payment of taxes should be seen as the priority for any business and this process can be made a lot easier as long as all accounts are kept in order.

Tax Evasion and e-Commerce

Tax evasion is a serious offence and carries severe penalties.

A real example of tax evasion by an online business is when an individual brings in clothing or shoes that are declared as personal goods at the port of entry.

The individual is not charged duty on these items, but then, these same goods are sold or resold for profit through an online sale, for example, on Facebook. An income is derived from the sale, but is not declared to FRCS. This is clearly one way whereby individuals evade paying taxes.

How does FRCS ensure that online businesses pay their taxes?

It is not easy to monitor online and Facebook-based operations. However, here at FRCS, we extend our services to assist your business in ensuring that your operation is tax compliant and that the business will voluntarily declare its total business income.

We have a compliance team that identifies 'risk' businesses, industries and operators, and profiles them for audit. We also work with other Government agencies, such as the Registrar of Companies and the Reserve Bank of Fiji, in identifying suspicious financial transactions to assist in our monitoring process.

How do I make sure that I pay my online business taxes?

You can set up a direct debit from your business bank account. This removes the risk of being hit with large penalties for non-compliance when payment becomes due.

What happens if I miss my tax lodgment and payment deadlines?

This could mean that FRCS places a garnishee on your bank account;
or places a caveat on your property;
or seizes your goods;
or places a Departure Prohibition Order, preventing you leaving Fiji,
or takes you to court.

What happens if an online business fails to fully declare its income?

Tax penalties will also apply to those online businesses that are detected by our audit and inspection team as 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 penalised.

Online business operators are encouraged to take full advantage of the tax amnesty period, as this will relieve them from tax penalties, and online operators that have been registered but have yet to comply are also urged to comply voluntarily.

Online business operators who deliberately evade paying tax may expect to FRCS to apply the full brunt of the law to ensure that they perform their duty as tax-paying citizens.

FRCS wants to ensure that online businesses are tax compliant at all times, by equipping them with accurate information for compliance, and seeing that that they follow this information.

Who can help me make sure my online business is tax compliant?

The team at FRCS is ready to help you with your tax needs. Simply send us an email to info@frcs.org.fj or call us on 324-000.

Conclusion

We provide advisory services free of charge, and we can visit your business premises at a time convenient to you to conduct awareness and training that is custom-made to address your business tax needs.