



TALK TAX – PROPERTY OWNERS

In this week's article we look at the tax obligations of an individual who receives income from rental property or properties. It is important to understand these obligations apply if a person resident in Fiji receives income from rental properties owned in Fiji or abroad.

Where a resident of Fiji has provided residential accommodation to a tenant, regardless of whether the property is in Fiji or abroad, the total rent received during the year must be declared to the Fiji Revenue & Customs Service (FRCS)

Home ownership incentives

Government policies and incentives to encourage home ownership have also empowered ordinary Fijians and given them more choices greater control over their lives.

Incentives such as Government Grants for First Home Buyers and the VAT refund on a New Dwelling House have directly assisted individuals with home ownership, the reduction in the VAT rate and the increase in the personal income threshold have also indirectly assisted individuals by increasing their purchasing power and their ability own one or more properties simultaneously.

Investment properties

While some purchase homes for their own residential purposes, there are those who purchase properties for investment purposes.

As a result, over recent years there has been an enormous increase in the number of individuals owning several properties, with an overall impact on economic expansion and the financial wellbeing of the property owners.

With these increased financial advantages comes the responsibility of obligations for individuals receiving rental incomes from one or more properties.

The role of FRCS

The Fiji Revenue & Customs Service (FRCS), with the support of Government, is committed to ensuring that every individual, business, company and other non-individual groups, carry out their tax obligations diligently as required under the tax laws. Thus, providing necessary advice and support to Fijians to be able to comply.

The ultimate goal for FRCS is to maximize voluntary compliance through continuous engagement and partnership with our stakeholders.

What is voluntary compliance?

Voluntary compliance is not just a subject for non-compliant individuals and businesses. Voluntary compliance is a behaviour that requires absolute commitment, vigilance and integrity. It is about creating the level playing field for all Fijians. It consists of: voluntary disclosure; timely reporting; timely payments; ensuring a high level of data integrity; accuracy of information; proper record keeping and completeness.

Non-compliant property owners

FRCS has found that many individuals resident in Fiji who own properties in Fiji and abroad are deliberately not making honest declarations about their property ownership and their sources of income. This attitude is promoting tax evasion and is unfair to those who honestly disclose such information

In some of the more blatant examples of tax evasion the FRCS has discovered, landlords and tenants have agreed to not have a Tenancy Agreement. This means these landlords are not identified as earning rental income, and so do not pay any income tax at all.

As a result of this unlawful behaviour, tenants are not being issued with proper receipts and invoices, or in some cases, they receive no payment documents at all, and as there is no Tenancy Agreement, tenants avoid having to pay Stamp Duty.

Tenants should feel free to report to FRCS if they have been misled by their landlord. By the same token, tenants who collude with their landlord so they avoid paying Stamp duty or any other taxes will have to bear the full brunt of the law and pay penalties as well.

Partial reporting rental income

In some cases, property owners may declare income from one or two rental properties, but their other rental properties are not declared. This is more than oversight or negligence; it is not only corrupt and illegal but fraudulent evasion of tax. FRCS will not hesitate to apply the full brunt of the law to any landlord that intentionally commits a tax offence.

Reporting Obligations

Landlords are required to correctly declare their total rental income to FRCS on a yearly basis, by completing a Form B tax return. Where the landlord is required to pay taxes, the correct amount must be paid on time. FRCS will ensure that all individual landlords comply with the reporting and payment requirements at all times.

Residential Tenancy Agreements and Stamp Duty

Where a Tenancy Agreement has been made between a landlord and a residential tenant, the tenant is required to pay Stamp Duty on the Agreement, which is a legal document.

The amount paid as Stamp Duty payment is determined by the amount of rent that the landlord and tenant have agreed upon and the tenant must also ensure that their lawyer stamps the Agreement.

The table below shows the Stamp Duty applicable, based on the amount of rent paid.

Residential Rent Amount	Stamp Duty Applicable
1. Below \$700	\$10
2. \$700 to \$1500	\$20
3. Above \$1500	\$500

Annual Rental Income Exceeding \$100,000

Before August 2016, VAT was not applicable to residential rent. However, effective from 1st August 2016, if the gross rent turnover exceeds \$100,000, the individual earning this rental income from a residential dwelling must register for VAT.

Once the landlord is registered for VAT, the normal VAT obligations, apply from the date of registration onwards. The landlord is then required to charge VAT on all rental sales; lodge a VAT return; claim input VAT and keep proper VAT records.

Record Keeping

Keeping proper records is essential, as this is a requirement under the tax law. Failure to keep proper records will not be treated lightly by FRCS.

Landlords are urged to keep proper Receipt and Invoice Books when receiving cash from tenants for payment of rent, and FRCS reminds all landlords that all income and claims for expenses must be correctly substantiated by valid source documents.

ENDS