



Tax Talk Article: An Overview of Partnership Firm registration and Tax Requirements

Over the past years Fiji has experienced a rapid growth in the number of newly established businesses. The continuous refinement of Fiji's tax and customs policies and incentives have enabled individuals and non-individuals to enter into new investment opportunities of doing business in Fiji.

As we continuously see the impact on local investment tax policies have brought about, one can agree that the opportunity to operate a business in Fiji has become more convenient and easier when compared to the past. This represents Government's continuous commitment to encourage new investors to enter the world of doing business. The provision of small business grants is an example of how Government encourages all Fijians to setup businesses from anywhere in Fiji. Whether it be in towns, city areas, villages in the main islands or maritime islands – anyone can start a business. These policies have not just regained domestic and international investor confidence; they have propelled it to new levels. As such, these same policies have empowered ordinary Fijians and given them more choices - and more control over their lives.

Whilst we note that Government is committed to encouraging new businesses, it is equally important to understand every business type is recognized based on the type of ownership or structure it adopts. For tax purposes, it is critical to understand these important elements as it will determine the manner in which each business income is taxed.

In this week's article we look at the tax obligations of a partnership business and how the profits of this particular business type is taxed.

Registration of Partnership

Partnership is a popular form of business organisation in Fiji as it is relatively easy to set-up and the number of statutory compliances required by a partnership is less as compared to companies. Section 32 to 43 of Companies Act 2015 contains provisions with regard to firms and persons to be registered. Highlights of registration process of a partnership firm is stated as below.

Firm - means an unincorporated body of two or more individuals or one or more individuals, including, but not limited to a partnership as defined under the Partnership Act (Cap. 248) and one or more Companies or two or more Companies who have entered into partnership

with one another with a view to Carrying on Business for profit; [Section 2 of Companies Act, 2015]

Business Name – Subject to the provisions of Companies Act 2015, every firm having a place of business in Fiji and carrying on business in Fiji must have a business name. Application for registration of business name must be lodged with the Registrar of Companies in Form A12 [form prescribed under Companies Regulations 2015] within 28 days after the Firm –

- commences business or
- begins trading under a name which would require registration under Part 3 of Companies Act 2015.

Certificate of registration– Upon registration of the Business Name, the Registrar must issue the Firm with a certificate of registration in the prescribed form A13 certifying that the Business Name is registered.

Certificate of registration to be displayed - Every registered firm to which a certificate of registration for the Business Name is issued must cause the certificate to be displayed prominently at the Firm principal place of business.

Partnership Deed – Partnership Deed refers to a document in which the respective rights and obligations of members of partnership is written. For taxation purposes, a partnership deed should be in writing. Capital contribution of each partner and the profit sharing ratio among the partners are essential clauses requiring careful consideration when assessing taxation of partners.

Registration of Partnership for Tax Purpose

1. TIN Registration for Partnership

Once a partnership is registered under Companies Act 2015, the partnership firm is required to apply to FRCS for obtaining a Taxpayer Identification Number(TIN). It must be noted that registration of a partnership firm under Companies Act is different from registration of Partnership with FRCS for the purposes of TIN. It is a mandatory requirement under the tax law that a partnership businesses and its partners must have a TIN.

Unfortunately, the tax office continues to find businesses operating without having a proper Partnership TIN. This indicates a high risk area as it contravenes the standards of the tax law. The Fiji Revenue & Customs Service urges partnership businesses to voluntary comply with the tax registration requirements as this is their first tax obligation which they must abide by. To register for a TIN, all partnership businesses must provide the following requirements:

1. Completed TIN Application Form - IRS 003
Please follow link to download form:
<https://www.frsc.org.fj/wp-content/uploads/2018/07/IRS003-Company-Registration1.pdf>
2. Certificate of Business Registration – Form A13

3. Partnership Agreement (Stamped)
4. Partners Name and TIN
5. VAT Supplementary Form (only if applying for VAT)

Please follow link to download form:

https://www.fracs.org.fj/wp-content/uploads/2012/11/VAT_IRS018.pdf

All Partnership business application can be lodged at any Revenue & Customs office Fiji wide or simply emailed to info@fracs.org.fj .

2. Partners Taxpayer Identification Numbers(TIN)

For registration purposes of the partnership business, the partners are also required to provide their individual TINs upon application. This means that individual partners of a partnership business must first have a TIN before registering for a Partnership TIN. All partners must have a TIN which must be clearly declared in the Partnership Business Registration form upon lodgment. Without partners TINs the Partnership business cannot be registered.

3. Stamped Partnership Agreement

Partnership businesses must ensure that they have a proper Partnership Agreement. This is also a registration requirement that partners must furnish upon submitting a TIN application at Revenue & Customs. Partners must understand that it's not just any type of agreement that the tax office requires but more importantly it must be a 'STAMPED' Partnership Agreement. For this purpose, partners must ensure that their Partnership Agreement documents are sent to FRCS for Stamp Duty purposes. The tax office will only STAMP Partnership Agreements if Stamp Duty has been correctly paid to the tax office. All partnership agreements are subject to \$10 Stamp Duty and must be paid at our cashiers before obtaining the stamped Partnership Agreement from our Stamp Duty counters.

A stamped Partnership Agreement allows partners to use the document in the court of law during the course of a dispute and where a legal action is required to be taken.

4. Partnership VAT Registration

Every partnership business that has a sales turnover of \$100,000 and above is required to register for VAT. This means that the partnership business is liable to register from the day the partnership turnover reached \$100,000. This is the only time VAT registration becomes compulsory and the Revenue and Customs urges all partnership businesses to register for VAT if the business turnover is \$100,000 or more. Partnerships also have the opportunity to register early if their estimated gross turnover for the next 12 months is expected to exceed \$100,000. Very often the tax office finds issues based on VAT registration when inspections and audits are conducted. Businesses that became liable in the past periods did not comply by registering for VAT from the day they became liable and as a result have to pay huge amounts of VAT liability and penalties. This is simply the result of non-compliance. Partnership businesses must understand that this is what the law requires them to do. Failure to do so will result in penalties.

If the turnover is less than \$100,000 then the partnership business is not required by law to register for VAT however it may opt to register on a voluntary basis. This means that partnership businesses that have a turnover less than the VAT threshold of \$100,000 can still register for VAT if they wish to do so. However, partnerships must understand that once they are registered for VAT – they are required to carry out the VAT obligations.

Partnerships who supply produce in a raw and unprocessed state are not required to register for VAT even if the total value of supplies exceeds \$100,000. However, produce suppliers can still opt to register voluntarily for VAT if they wish to do so.

5. Other Tax Type Registrations

Partnership Businesses that meet the following registration conditions must ensure that they are also registered for the below tax types.

Tax Type	Registration Conditions
Employer (PAYE)	If Partnership business is employing individuals
Social Responsibility Tax (SRT) and Environment & Climate Adaptation Levy(ECAL)	If Employing Individuals who earn above \$270,000
Service Turnover Tax (STT) and Environment & Climate Adaptation Levy(ECAL)	If Partnership business is providing a Prescribed Service with a minimum turnover of \$1.25 million
Environment & Climate Adaptation Levy – Plastic Bag Levy (ECAL)	If Partnership business is issuing plastic bags to customers
Fringe Benefit Tax(FBT)	If Partnership business is Providing Non-Cash Benefits to its Employees
Provisional Tax(PT)	If Partnership business enters into a Formal Contract for Service with another Business and collects 5% PT

Taxation of Partnership

1. Taxation

For tax purposes, the partnership business does not pay income tax on the profit it earns. However, each partner is required to report their share of the partnership profits in their own tax return. In other words, the profit is taxable at the hands of the partners and not the hands of the partnership business. Each individual partner pays tax on their share of the partnership profit at the individual tax rate whilst companies who have formed joint ventures or partner companies will pay tax on their share of the partnership profit at the normal corporate tax rate.

Any profit that is not distributed will be deemed distributed by the tax office and partners will still be liable for any tax due.

The tax office wishes to advise all partners that it is important to understand how the partnership business and the partners are treated when it comes to the tax application of the partnership income.

2. Provision of Non-Cash Benefits

Partnerships that provide non-cash benefits to its employees must correctly account for Fringe Benefit Tax to the tax office. Any Non-cash benefit provided by the employer to its employees will be subject to 20% Fringe Benefit Tax. Examples of Non-cash benefits provided by the employer include motor vehicle, house, utility bills, mobile phones etc. The Fringe Benefit Tax is paid by the Employer who is the provider of the non-cash benefit.

Partnership Obligations

1. Partnership Tax Return

Although the Partnership business is not taxed it is still required to file a Partnership return on an annual basis in the required Form P(<https://www.frcs.org.fj/wp-content/uploads/2012/11/IRS206-Partnerships-Return1.pdf>).

The Partnership tax return is basically a declaration of financials that reports on the business income earned and the expenses incurred during the tax year. Declaration of actual amount of profits distributed to each partners where successful distribution of profits has been made. Similarly, where losses have been made by the business - it must also be reported on the partnership financials when preparing a tax return. Regardless of whether the Partnership makes a profit or loss it will always distributed for accounting purposes.

Non-lodgment of Partnership returns continues to be an area of concern to the tax office as partnerships do not make an effort to file returns. Deliberately choosing not to file a tax return is an offence under the tax law and partnerships caught not lodging returns will be dealt with immediately. On the other hand, partners must note that the tax office cannot finalize assessments for individual partners returns if the Partnership return itself has not been filed.

Partnerships must understand that failure to lodge an income tax return is an offence under the tax law and offenders will face the full brunt of the law if they are caught.

2. Partners Tax Return

Partners are also urged to lodge the partners returns together with the partnership return. In fact, partners should be able to file all returns together for ease of administration. In most cases the tax office finds that the Partnership returns have been lodged however individual partners returns have not been lodged. This is truly unacceptable, as once the Partnership returns have been lodged, partners are expected to also lodge.

All partners of partnership business are liable at the end of the day – whether it be related to lodgments, payments or record keeping, partners will be responsible for all matters pertaining to the Partnership.

3. Record Keeping

All businesses are required to keep proper records for a period of at least 7 years. This is mandatory under the tax law and every business including partnerships are required to ensure that proper records are kept. Business records such as receipt books, log books, receipts, invoices, bank statements etc. must be stored and kept in good conditions for tax purposes. This is the most important part of any business but time and again the tax office have noted that businesses do not keep proper records when tax audits and inspections are conducted. Businesses must ensure that there is proper record keeping. Businesses that wish to discard business records within the 7 year must write to the CEO for approval before discarding records.

4. Electronic Fiscal Device(EFD) Compliance

Partnership businesses that fall under Supermarkets, Pharmacies, Law firms, Medical Centres, Travel Agencies, Accounting firms and hardware companies must ensure that they are compliant with the EFD Regulation. The EFD registration is compulsory to every Partnership business that fall under the above sectors regardless of the gross sales turnover. This means that even though the Partnership gross sales turnover is less than \$100,000 they are still required to register for EFD.

If business are finding it challenging to comply with the EFD requirements, please approach FRCS for assistance to become EFD compliant.

The objective of this system is not only to have efficient and reliable software to encourage voluntary compliance but at the same time collect the revenue due to government. It also plays a broader role in alignment to the government roadmap for development of Fiji, greater financial inclusion initiatives as well as push towards a cashless economy, addressing the black money challenges.

5. Updating Tax Information

All partnership businesses are encouraged to update their tax information on the My Info Portal(<https://eservices.frcs.org.fj/myInfor/Home/Index>) available in the Revenue & Customs website. Partnerships are advised to update their tax information where certain business details have changed. These includes changes to the business name, business address, postal address, contacts, bank accounts, partner's details, subsidiaries and authorized officers etc. This is an important process for businesses and the tax office as it will greatly assist FRCS to effectively provide reliable and timely tax services.

Businesses that may not be able to log into the MyInfo portal but wish to update their tax information are urged to visit any of our Revenue & Customs office Fiji wide for assistance.

For more information you can visit our website on www.frcs.org.fj or email us at info@frcs.org.fj .