



Provisional Taxes – How it works and What's New on TPOS!

Following the roll out of the first phase of the Taxpayer Online Services (TPOS), the Fiji Revenue and Customs Service (FRCS) is preparing for Phase 2 implementation. In this regard FRCS is engaging with stakeholders on some of the taxes planned for the Phase 2 implementation including Provisional Tax (PT), Corporate Income Tax (CIT) and Personal Income Tax (PIT). This is to inform them on the new processes related to these tax types on TPOS and help them better prepare for the change. In this week's Tax Talk, we will focus on Provisional Tax (PT) and the new processes for PT on the online taxpayer portal.

Provisional Tax (PT)

Provisional Tax is a withholding tax on contractual payments and certain other payments for services. From 1 January 2016, provisional tax is imposed at the rate of 5% of the gross amount of the payment. Section 114 of the Income Tax Act 2015 requires a resident person or permanent establishment in Fiji of a non-resident person making a payment of the following nature, to withhold provisional tax from the gross amount of the payment:

- a commission for the provision of insurance;
- a commission for the sale of any property, such as books, publications, buildings, land, etc.; and
- a payment under contract for service, including progress payments.

Provisional Tax does not apply on:

- payment made under a contract of employment
- payment subject to Non-resident Withholding Tax under Section 10 of the Income Tax Act 2015;
- payment that is exempt income of the recipient;
- payment in respect of contracts for services where the total payable to the contractor during the year is less than FJ\$1,000;
- payment made to a person not conducting a business;
- payment made to a non-profit organisation (NPO), unless the payment constitutes business income of the NPO; and
- payment made to a government body.

Please visit <https://www.frsc.org.fj/our-services/practice-statements/> for the Standard Interpretation Guideline on Income Tax Act 2015- Withholding of Tax From Commissions and Other Payments Made Under A Contract for Service.

For the purpose of provisional tax, we define payer as a person who makes a payment and can also be referred to as the contractee or customer while payee is a person who receives the payment and can also be referred to as the contractor or supplier.

Provisional Tax withheld by a payer must be remitted to FRCS by the end of the following month in which it was deducted from the contractual payment e.g. provisional tax deducted in June 2020 must be remitted to FRCS by the end of July 2020.

How Provisional Tax are filed now

Currently the provisional tax returns are lodged electronically through ept@frcs.org.fj which is then processed by the Fiji Integrated Tax System (FITS).

Filing Provisional Tax Returns on TPOS

When provisional tax process is implemented online, all filing will be done through TPOS. The following will apply:

1. To submit a PT Return, the taxpayer (or their tax agent) must log in to the FRCS portal using the username and password provided to them.
2. Taxpayer creates the obligation for the first time or selects the relevant PT filing obligation, if the obligation has already been created once, and completes the return.
3. Taxpayers will be able to upload provisional tax return in spreadsheet format or populate the figures on the portal screen. A template, will be available on the online portal and on FRCS website: www.frcs.org.fj. If the taxpayer had already filed the PT Return, he/she will be able to download the previous period's spreadsheet when filing the current period's return. If the return is being pre-populated on the screen, the previous month's data (other than the amount of provisional tax deductible) will be pre-populated also.
4. When a Payer selects "Contract for Service" as payment for provisional tax, they must provide a Contract ID. Contract ID is a unique number, which will be assigned to each Contract for Service registered with FRCS when it is registered for stamp duty collection purposes. If the contract was not registered for stamp duty purposes but the payer wants to declare provisional tax in relation to a payment made under the contract, they will be required to register the contract then a Contract ID will be issued upon registration of the contract.
5. To register a contract for provisional tax purposes, the taxpayer must provide the following information in relation to each contract.
 - Taxpayer Identification Number (TIN) of the supplier
 - name of the supplier
 - brief description of the contract
 - value of the Contract in Fiji dollars
 - commencement date of the contract
 - end date of the contract
 - reference number of the contract, if any.
6. When all validations are passed, the payer/tax agent would be able to submit the return.
7. Once the return is submitted, the system would process the return. This would trigger the following actions:
 - system would post the liabilities to the payer's PT a/c.
 - system would generate a return filing confirmation and email it to the

payer. A confirmation will be generated and emailed to the taxpayer/tax agent.

8. Payees will be able to view how much tax has been declared and paid on their behalf by their payer at any point through their online account. The portal will allow the payees to view provisional tax withheld and paid by the payer.

FRCS continues with its commitment to simplify tax processes and provide a reliable way for voluntary compliance.

For more information and feedback please email us on info@frcs.org.fj or vnailotei@frcs.org.fj or sdatt@frcs.org.fj.