



EMERGING TAX ISSUES

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24 March 2016

PRESENTATION OUTLINE

- Emerging Tax Issues
 - Tax Simplification
 - Policy Modernization
 - Law Modernization
 - Modernizing Tax Administration
 - Tax Compliance
- Concluding Remarks

TAX SIMPLIFICATION : EMERGING ISSUES



TAX SIMPLIFICATION : EMERGING ISSUES

- **Policy Modernisation**

- *Low rate, broad based*

- Tax cuts, exemption thresholds
 - New Taxes

- *A shift towards indirect taxation*

- A broad based VAT regime
 - Customs duties
 - Other sales related taxes

- *Striking a balance between Economic Efficiency and Equity*

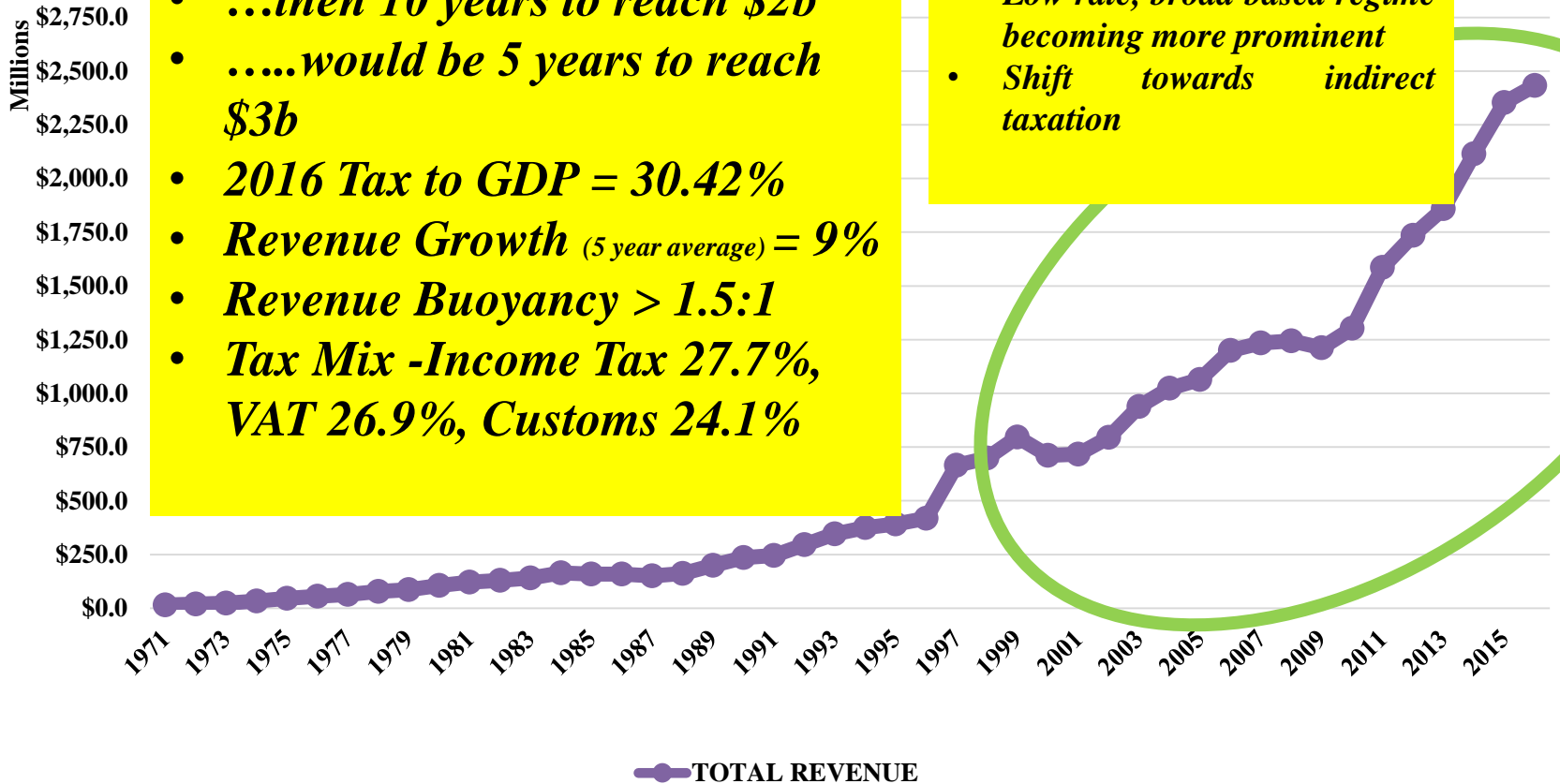
- Trade off's required (revenue and welfare loss, simple administration)
 - Optimal tax structure

- *A shift towards targeted incentives*

BACKGROUND

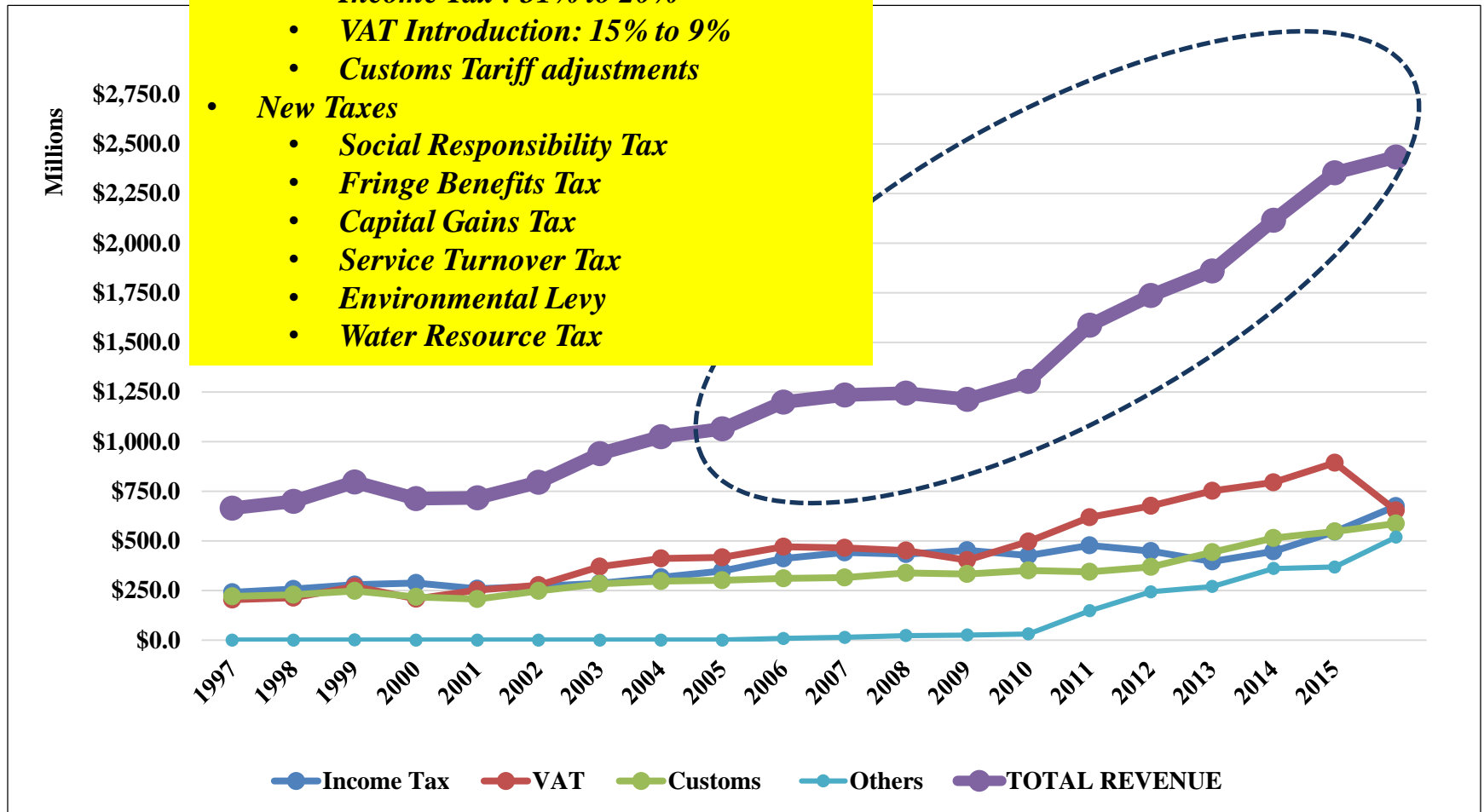
- *85 years to reach \$1b mark*
- *...then 10 years to reach \$2b*
- *.....would be 5 years to reach \$3b*
- *2016 Tax to GDP = 30.42%*
- *Revenue Growth (5 year average) = 9%*
- *Revenue Buoyancy > 1.5:1*
- *Tax Mix -Income Tax 27.7%, VAT 26.9%, Customs 24.1%*

- *FRCA establishment (1999)*
- *Low rate, broad based regime becoming more prominent*
- *Shift towards indirect taxation*



BACKGROUND

- **Tax Restructuring**
 - *Income Tax : 31% to 20%*
 - *VAT Introduction: 15% to 9%*
 - *Customs Tariff adjustments*
- **New Taxes**
 - *Social Responsibility Tax*
 - *Fringe Benefits Tax*
 - *Capital Gains Tax*
 - *Service Turnover Tax*
 - *Environmental Levy*
 - *Water Resource Tax*



TAX SIMPLIFICATION : EMERGING ISSUES

- **Law Modernisation**

- ***Tax Administration Act***

- Administrative rules

- ***Income Tax Act***

- Substantive rules

- ***Customs Rewrite – in progress***

- OCO Model
 - RKC

- ***Taxation Rulings – in progress***

- Converting Practise Statements

- ***International Tax Issues becoming relevant now***

- OECD/G20 Base Erosion Profit Shifting

TAX SIMPLIFICATION : EMERGING ISSUES

- ***Tax Administration Act***
 - ***Harmonized the administrative provisions of various tax laws***
 - ***Registration Process tightened***
 - *Compulsory Tax Identification Number*
 - *One TIN for multiple tax types*
 - ***Tax Recovery procedures enhanced***
 - *Departure Prohibition Order*
 - *Garnishee orders*
 - *Temporary Closure of Business*
 - *Seizure of properties*
 - *Company Directors personally liable for tax debts*
 - ***Objections process to protect taxpayers right***
 - *TADAT recommendation saw the setup of an objections review team*
 - ***Binding Ruling System to bring clarity on “grey areas” of law***
 - *Currently over 50 Practice Statements issued*
 - *A Binding Ruling framework in place*
 - ***Appeals process***
 - *A Tax Court is now in place*
 - ***A robust penalty regime in place in view of low tax regime***
 - *300% penalty*
 - *75% audit penalty that cannot be reversed*

TAX SIMPLIFICATION : EMERGING ISSUES

- **Modernising Tax Administration**
 - *FRCA establishment and current transformation*
 - *Strategic Plan*
 - *Partnership*
 - *IMF TADAT Review*
 - *Objection Review Team*
 - *Technology advancement*

TAX COMPLIANCE : EMERGING ISSUES



Black Economy
32.4% of Official GDP

TAX COMPLIANCE TRENDS : EMERGING ISSUES

- *Tax Compliance Trends as seen in live cases*
 - *Multiple set of accounts:*
 - *Underreporting of income*
 - *Overclaiming of expenses, eg, depreciation claims, personal expenses*
 - *Domestic Transfer Pricing*
 - *Manipulating assets value, concessions, income splitting*
 - *Increased large value transactions involving cash*
 - *Dividend Tax Planning*
 - *VAT Fraud*
 - *Customs undervaluation, misclassification, Misdescription*
 - *Setting up offshore companies leading to Incorrect Invoicing*
 - *Carteling and consolidating invoices*
 - *Splitting of Invoices*
 - *Investing retained earning into single premium insurance policies under Directors name*
 - *Money kept in offshore accounts to pay for services provided to local entity*
 - *Offshore settlement for property purchases in Fiji*
 - *International Transfer Pricing*
 - *Inter-company loans*
 - *Excessive Management fee remittance*

TAX COMPLIANCE TRENDS AND STRATEGIES

- *Extensive use of third party data commenced:*
 - *FRCA now has electricity consumption data and matching has commenced!*

Thank you for your attention!

