Fiji’s International Taxation Regime

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Presentation Outline

• Fiji Tax Reforms
• Evolution of International Taxation in Fiji
• Fiji and International Tax Agenda
• International Tax Compliance
• FRCA’s Tax Compliance
Fijian Tax Reforms

• ...a shift towards towards **low rate, broad based** tax regime
• ...a shift towards **indirect taxation**
• ...a shift towards **progressive taxation** system
• ...a mix of taxes designed using **sound fundamentals**:
  - ...a Worldwide Income Taxation Regime
  - ...a consumption based VAT regime incorporating destination principle
  - ...a more liberal Trade Tariff Regime that also supports domestic industries

• ...a **simpler revenue administration**
  - FRCA establishment and reforms thereafter
  - A range of administrative reforms
  - Introduction of modern tax laws
  - Alignment with international conventions
Evolution of International Taxation in Fiji
Evolution of International Taxation

• Worldwide Tax System
  - Residency
  - Source

• Territorial Tax System
Model Convention

- International juridical double taxation can be defined as
  .....imposition of comparable taxes....
  ..........in two or more states......
  ..........on same taxpayer......
  ......in respect of same subject matter....
  ............for identical periods

- International juridical double taxation is where the same taxpayer is taxed on the same income twice.

- International economic double taxation arises when....
  ....two enterprises as residents in different states are...
  ....assessed tax on same income...
  ....without relief given by either states...

- International economic double taxation is where same income being taxed in the hands of multiple taxpayers.
Any person liable to tax under **domestic law** by reasons of:
- **Domicile**
- **Residence**
- **Place of Management**
- **Other criterion of a similar nature**

If an **individual** is a resident for both the States, the following tie-breaker rules apply:

<table>
<thead>
<tr>
<th>Deemed to be resident of a contracting state on the basis of…</th>
<th>If not, then on the basis of..</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong> Permanent Home (ie, where is his permanent home?)</td>
<td>Centre of vital interests (ie, where economic and personal relations are closer)</td>
</tr>
<tr>
<td><strong>2</strong> Centre of vital interests (ie, where economic and personal relations are closer)</td>
<td>Habitual abide (ie, where is his habitual home?)</td>
</tr>
<tr>
<td><strong>3</strong> Habitual abide (ie, where is his habitual home?)</td>
<td>National (ie, he is a national of which country?)</td>
</tr>
<tr>
<td><strong>4</strong> National (ie, he is a national of which country?)</td>
<td>Mutual Agreement Procedure (ie, as per Article 25 of DTA)</td>
</tr>
</tbody>
</table>

Other than an individual – place of effective management.
Concepts of Residency and Source

Source Country

- Income from immovable property
- Profits of a Permanent Establishment
- Income from activities of the entertainers and sportspersons
- Directors fees paid by a company resident of that State
- Remuneration in private sector
- Subject to certain conditions, remuneration paid in public sector

Residence Country

- Dividends
- Interest

Source Country to Tax WITHOUT limitations

Source Country to Tax WITH limitation

Source Country CANNOT Tax

- Royalties
- Gain from the alienation of shares or securities
- Private sector pensions
Fiji’s International Taxation Regime Today

(a) Definition of Arms Length Principle
(b) Residency Rules
(c) Temporary Residence
(d) Source Rules
(e) Permanent Establishment Rules
(f) Withholding Taxes
(g) Double Tax Agreements
(h) Thin Capitalization
(i) Transfer pricing
(j) Thin Capitalization
Fiji and International Tax Agenda
Fiji and International Tax Agenda

- DTAs
- TIEA
- Global Forums
- BEPS
- Multilateral Instrument on Tax Treaty Abuse
International Tax Compliance
International Tax Agenda

- Tax Fraud
- Profit Shifting
- Customs Undervaluation
- Customs Overvaluation
- Money Laundering
- Invoicing Scam
Thanks