



Fiji's International Taxation Regime

*Mr. Fazrul Rahman
Director Corporate Services
Fiji Revenue & Customs Authority*

*23 June
2017*

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**



The diagram illustrates the components of a Worldwide Tax System. It features two blue rounded rectangular boxes, one on the left and one on the right, separated by a vertical blue line. Each box contains a yellow rectangular area with black text. The left box is labeled 'Residency' and the right box is labeled 'Source'.

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.**

Article 4 of OECD Model Tax Convention : Resident

- 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:

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

- Other than an individual – place of effective management.

Concepts of Residency and Source

**Source
Country**

**Residence
Country**

**Source Country to Tax
WITHOUT limitations**

**Source Country to Tax
WITH limitation**

**Source Country CANNOT
Tax**

- 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

- Dividends
- Interest

- 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



Fiji Revenue & Customs Authority
Fiji Revenue & Customs Authority
Fiji Revenue & Customs Authority