



**FIJI INSTITUTE OF ACCOUNTANTS**

**BUDGET SUBMISSION 2020/20201**



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## 1. INTRODUCTION

The Fiji Institute of Accountants (“FIA”) welcomes the opportunity to make this submission towards the formulation of the 2020/2021 Fiji National Budget. We thank the Government for its recognition of FIA’s contributions in prior years and we look forward to working together on the path to recovery following the effects of the COVID-19 pandemic.

In making this submission, the FIA had invited comments from its members and their feedback has been included in this submission.

We believe that Government, through its strategic vision and policy creation process, will have a pivotal role and be the catalyst in the revival of the Fiji economy.

This submission mainly focuses on post COVID-19 pandemic recovery measures and also reiterates certain issues highlighted in previous submissions. These include:

- Assisting the tourism industry during the post COVID-19 normalisation period.
- Promoting and further developing Fiji’s potential in the Manufacturing, Agriculture and Information Communications Technology (“ICT”) sectors;
- Promoting investment and economic activities in the Micro, Small and Medium Enterprise (“MSME”) sector, for the stimulation of economic growth across Fiji, especially the informal sectors / settlements, including those in the rural and remote areas;
- Improving tax administration and compliance policies, procedures and practices to enhance tax collection in an accurate, fair and consistent manner;
- Improving the implementation of the taxation system and policy framework with an emphasis on developing a broad-based, business focused, sustainable and consistent revenue collection system;
- Improving the performance of Fiji’s public sector to ensure enhanced service delivery to the private sector which is the engine for economic growth.
- Encouraging appropriate investment in the Human Resource skills and capacity building improve the quality and professionalism in this area.



## **2. EXECUTIVE SUMMARY**

The FIA appreciates Government's efforts on the measures introduced in the COVID-19 Response Budget in March 2020.

We believe that the following are the key focus areas for Fiji's economic recovery:

- Promoting investment in other sectors of the economy (in addition to Tourism), including MSMEs;
- Improving and maintaining investor confidence by providing an investor-friendly environment, relevant incentive packages;
- Streamlining taxes and regulatory requirements to improve the ease of doing business in Fiji including a quick turnover of approvals by Government agencies; and
- Rationalising the size and operational cost of Government.

The underlying objective for the country is to create employment opportunities and generate economic activity which will result in flow-on benefits to Fiji's overall economy. Government's strategic vision and related policy measures will be the catalyst in facilitating the revival of the Fiji economy.

### **2.1. PROMOTING INVESTMENTS IN TARGETED INDUSTRIES AND THE MSME SECTOR**

Apart from the Tourism industry, we suggest that Government consider creating opportunities to encourage investment in other sectors, in particular Manufacturing, Agriculture and Information Communications Technology ("ICT") sectors. These sectors have the potential to create much needed employment, and also generate export earnings.

We commend the Government for providing timely assistance to the MSME sector by announcing the COVID-19 Concessional Finance Support Package for MSME's. The development of the MSME sector is critical for the social and economic development of the country across informal sectors / settlements, including those in the rural and remote areas.

### **2.2. IMPROVING AND MAINTAINING INVESTOR CONFIDENCE – INVESTOR-FRIENDLY ENVIRONMENT AND INCENTIVE PACKAGES**

The creation of employment opportunities and stimulation of economic activity may be achieved by encouraging investment from new business / investors and also from existing entities. This may be achieved in a number of ways, including the introduction of incentive packages in key areas to encourage investment.



While certain proposed measures may result in Government foregoing some revenue, the economic and social impact of such incentives would have a positive impact on the country and Government achieving its objective of creating employment opportunities. Furthermore, alternative measures may be implemented to offset the loss in revenue in order to entice more investment into the country.

Investors need clear policies, practices and interpretations to make informed decisions which form the basis for their investments. The FRCS should, without compromising its position, work with taxpayers and investors in providing a conducive business environment while continuing to collect taxes.

### **2.3. STREAMLINING THE TAX REGIME AND REGULATORY REQUIREMENTS**

The FIA has in the past stressed the need for a clear and concise tax policy framework for the application of tax laws and compliance. The tax policy framework should be articulated and disseminated to the public to create awareness, which will allow the public to contribute to Government's tax policies and visualise the role they play in this process.

Furthermore, the streamlining of regulatory requirements of the various government agencies will result in improving the ease of doing business in Fiji, which is a key component to business and investor confidence.

While Fiji currently has a relatively low corporate income tax rate of 20%, there are various other taxes in place. We suggest that the Government review the overall tax structure with a view to streamlining the various taxes. Simplifying / streamlining the tax regime will facilitate compliance, tax collections and monitoring of taxpayers. This will make compliance costs more manageable and allow business to focus on carrying out their business activities.

### **2.4. RATIONALISING THE SIZE AND OPERATIONAL COST OF GOVERNMENT**

While the FIA supports Government's expenditure policy which is aimed at offering efficient Government services, developing infrastructure, and support and assistance to the needy, we believe that emphasis needs to be placed on proper management and control of expenditure and improving efficiencies within Government.

We suggest that the Government consider reducing in its operating expenditure where possible and diverting any savings to areas which would create investment and employment opportunities.

Please refer to the following sections and Appendices for detailed comments on the above matters.



### **3. OUR SUBMISSION**

#### **3.1. PROMOTING INVESTMENTS IN TARGETED INDUSTRIES AND THE MSME SECTOR**

In light of the current economic challenges, including the drastic impact on the tourism industry, Government should focus on, support and provide incentives to industries and sectors which have the potential to assist with import substitution, boost foreign reserves, generate employment, show potential for growth and provide a competitive advantage. This focus should include MSMEs and we commend Government for the recent announcement for the concessional loan packages for MSMEs.

Government should continue to set aside a budget for marketing and promoting Fiji through Tourism Fiji and consider setting aside a special budget for Investment Fiji to promote Fiji as an investment destination.

Sectors and initiatives for consideration include:

##### **3.1.1. Tourism Industry**

Given that the upcoming budget will be geared towards post-COVID-19 recovery, this is an opportunity for the Government to re-strategise its position on tourism which accounts for over 40% of Fiji's GDP, and which has borne the brunt of the COVID-19 pandemic. It is paramount that necessary steps are taken to ensure a speedy recovery for the industry; therefore, it would be prudent to devise incentives and strategies to ensure that Fiji again becomes a key destination for tourists who wish to travel for leisure in the short to medium term.

Government's continued efforts to include Fiji as part of the Trans-Tasman travel bubble remains crucial.

##### **Taxes levied on tourist-related activities**

We are of the view that the current taxes which are levied on tourism-related activities i.e. VAT 9%, STT 6% and ECAL 10% (total of 25%) is quite high and need to be reduced to 15% in total. This can be achieved by removing STT and reducing ECAL to 6%, with VAT remaining at 9%. We also propose a reduction in the Departure Tax to allow for competitive airline ticket prices and aid our national carrier, Fiji Airways. These proposed tax reductions will provide the much-needed assistance to the tourism industry and make Fiji a competitive and affordable holiday destination.

Although the above tax reductions may not initially appear desirable from the government revenue standpoint, it is important to note that the primary aim is to revitalise the tourism industry and to re-employ our people. This will also allow hotels, airlines, MSMEs and other



tourism-based industries to work together and create a conducive atmosphere which will increase the volume of spend and generate additional tax benefits for the Government.

In recent years, Fiji has been considered a generally expensive destination when compared to other cheaper destinations such as Bali and Mauritius. With COVID-19 decimating tourism world-wide, this is an ideal opportunity to entice tourists to return to Fiji and, with reasonable pricing, make Fiji their choice as the prime holiday destination.

### **Hotel Tax Incentives**

We acknowledge the Government's initiative of reinstating exemption on developer profits, opening up of tariff concessions, the amendment of project completion to commencement to 24-months and recently in the March 2020 COVID-19 Recovery Budget, the re-instatement of the 25% standard allowance incentive for existing hotels.

We would like to suggest that Government also extend the SLIP incentive package to existing hotels and to hotels which are extending existing investments.

### **3.1.2. Manufacturing Sector**

Fiji has an inherent advantage, being the hub of the South Pacific. This advantage, coupled with several other advantages (such as our shipping and port facilities, technology, competitive wage rate, etc.) makes Fiji a prime location for certain industries and multinationals to set up manufacturing plants to service the South Pacific and other countries.

### **Incentives for existing manufacturers**

Consideration should also be given to existing manufacturers who intend to reinvest in new ventures to increase productivity and generate employment opportunities. Incentives can be based on the level of investments and job creation and its potential for foreign exchange earnings. This is to promote our existing entrepreneurs.

### **Export Income Deduction**

The encouragement of export industries which contribute to foreign reserves is important for the Fiji economy, and we acknowledge the increase in the Export Income Deduction (EID) incentive from 50% to 60% for the tax years 2020, 2021 and 2022.

We suggest that:



- The EID be extended for say 10 years, in view of the current economic climate and the need to stimulate the economy. This would provide certainty for the future for the manufacturing industry and allow the industry to plan for the future.
- Export incentives be made available to all exporters of goods and services to the maximum extent, and the remittance rule (i.e. the requirement to remit export proceeds to Fiji) under the Schedule 2 of the VAT Act be removed. We believe this will assist in promoting further investment, create jobs, business activities and economic activity.

### 3.1.3. Agriculture Sector

We suggest that consideration be given to the following:

- Extension of agricultural leases to 99 years; in particular for sectors of the agricultural industry that produce goods that are marketable offshore (i.e. increase exports); or which can replace imports such as rice, vegetables, meat etc (i.e. import substitution).
- Introducing bold and effective incentive packages for the agriculture sector, including industries that support the growth of the agricultural sector (e.g. primary input supplies such as fertiliser, etc. and secondary conversion of agricultural produce such as manufacturing, processing, etc.). We note the initiatives taken under the current COVID-19 pandemic incentives and commend the Ministry of Agriculture for the **same, in particular in handing out seedlings and conducting programs to educate farmers.**
- As has been done in the past, we suggest that Government seriously consider granting total tax exemption to income from agricultural sources. Alternatively, current provisions should be amended to allow for tax incentives on a pro-rata basis where turnover exceeds \$500,000 and should be available to all agricultural activities. The current tax incentives for MSMEs are available only if total turnover is less than \$500,000 per annum and for selected prescribed agricultural activities (fisheries and tourism).
- Establish processing ventures or incentives to encourage value adding which would support rural communities and farmers creating opportunities through diversifying to agriculture, fisheries and forestry ventures.
- Reintroduction of the indefinite carry forward of tax losses for the agricultural industry, given the high risk of investing in the sector.

### 3.1.4. ICT Industry





As a significant contributor to both foreign income and employment, the ICT sector is a fast-growing sector of Fiji's economy. Support in the way of tax breaks and capital expenditure incentives are important to ensuring the ongoing attractiveness and viability of the industry.

We acknowledge the removal of minimum requirements last year to qualify for the ICT incentives (tax holiday), along with the removal of the licence fee of \$1,000.

We suggest that these incentives be made available to all investors in the industry (both existing and new).

Consideration may also be given to zero-rating for VAT purposes of the supply of ICT services to exempt entities in Fiji. This would promote the growth of the industry and allow the industry to develop and offer world class services both locally and abroad.

### **3.1.5. Fishing Industry**

With the current low performance of the fishing industry, this natural resource should be managed effectively, with the objective of retaining maximum value within Fiji. Specific measures should be implemented to encourage processing and value-added activities within Fiji.

Furthermore, this important natural resource is being depleted. There is a need for greater incentives to be considered for the sustainability of the industry.

### **3.1.6. Tax-Free Regions**

The "Look North" and similar incentives should be made available not only to new companies but also to existing entities for new investment projects. This would assist in achieving the overall investment and socio-economic goals while removing a perceived bias towards new companies.

In addition to the above, the existing legislation requires that a company which has a TFR licence derive all of its income from the TFR. As Government would appreciate, there are a number of circumstances which may require a company which has a TFR licence to derive income or contract with entities outside the TFR. Hence, the existing requirements would be prohibitive. We therefore recommend that the legislation be amended to allow some flexibility (e.g. a company with a TFR licence to derive at least 70% of its income from the TFR).

### **3.1.7. Social Policy Exemptions**

Non-profit and charitable organisations play an important role in our society. Every dollar that a charity spends on providing shelter or food and clothing to the poor is another dollar that the Government can spend on roads, hospitals and schools.



Currently, under the Income Tax (Exempt Income) Regulations 2016 any business income derived by a non-profit or charitable organisation is subject to tax.

Previously, under the Income Tax Act 1974, the business income of a non-profit or charitable organisation was not subject to tax provided that such income was to be expended either in Fiji or for purposes which resulted in the benefit of the residents of Fiji.

We suggest that Government reconsider the current taxation of business income of non-profit and charitable organisations and revert to the provisions previously available under the Income Tax Act 1974 as noted above.

### **3.2. MAINTAINING INVESTOR CONFIDENCE - INVESTOR-FRIENDLY ENVIRONMENT AND INCENTIVE PACKAGES**

A key component to Fiji's prosperity and stability is investment and economic activity which are achieved through improved investor confidence and providing a conducive business environment.

We outline below our suggestions in this regard, some of which are reiterated from last year:

#### **3.2.1. Bank Interest**

Given the significant impact of COVID-19, businesses need to control costs. While operational costs can be controlled, bank interest is one cost which is beyond the control of any business.

During this time of substantially reduced revenue levels, businesses need to survive and meet their loan obligations. While we recognise that commercial banks are providing principal and interest holidays, it should be noted that interest will continue to be incurred on a compounded basis, to the extent that ultimately, the liability would be higher than it is now, unless rates are reduced.

We understand that banks also need to operate their operations and meet targets; however, by reducing the rates, its customers would be in a position to continue with repayment commitments, while having the ability to look at additional funding for new investments to generate additional economic activity.

#### **3.2.2. Prospective Imposition of Tax Laws**

The retrospective introduction of tax legislation laws creates uncertainty for stakeholders and affects investor confidence. Tax laws and its practical implementation should be applied prospectively.



The Fiji Income Tax Act 2015 (“FITA”) has been in effect since 1 January 2016. The FIA has previously and continues to recommend that:

- a) The application of the legislation be prospective, instead of retrospective; and
- b) All provisions of the FITA be thoroughly reviewed, and further submissions are invited from the respective professional bodies and other stakeholders.

These recommendations are still relevant notwithstanding the introduction of the FITA. There are still a number of provisions that require review and amendment and the interpretation of certain matters can vary, as well as application of the law retrospectively.

Other examples of tax laws which have been implemented retrospectively include the following:

- a) Income Tax (Withholding Tax) Regulations 2013 which was gazetted on 22 November 2013 but was made effective from 1 January 2013;
- b) Income Tax (Amendment) (No 4) Act 2013 (Act No 37 of 2013) promulgated in November 2013 - various sections of this Act were made effective from 1 January 2012 and others from 1 January 2013.
- c) The introduction of the concept of “depreciable assets” in the FITA thereby imposing income tax on gains on disposal of assets which previously fell within the definition of capital gains.
- d) Income Tax (Amendment) Act 2017 (Act No. 15 of 2017) assented by the President on 28 March 2017 made effective from 1 January 2016.

### **3.2.3. Taxpayer Online Service (“TPOS”) portal**

We continue in our dialogue with the FRCS on the need for a proper review and external testing of the various modules which are yet to go live on the TPOS and the VAT Monitoring System (“VMS”) (under the EFD legislation for industries that have not been covered). These need to be reviewed and tested externally until the taxpayers and the tax office agree on its implementation.

## **3.3. STREAMLINING THE FIJI TAX REGIME AND REGULATORY REQUIREMENTS**

The FIA believes that it is critical to have a robust tax policy framework as this will create certainty and provide the level of confidence in the tax regime needed by investors. The



framework should focus on how tax fits within the Government's economic, fiscal and revenue strategy.

This COVID-19 period of low economic activity provides Government with the opportunity to undertake a review of Fiji's Tax Policy Framework, with a view to redesigning, simplifying and articulating a clear concise tax policy framework along with legislative changes enabling the application of the new framework to streamline and enhance tax revenue collections, whilst reducing complexity and compliance costs to taxpayers.

The FIA makes the following specific recommendations:

### **Tax reform**

#### **3.3.1. Income Tax Rates and Levies**

Whilst Fiji's income tax rates have generally been reduced over the last few years, many new taxes and levies and accompanying requirements have been introduced which makes it more expensive and administratively cumbersome to do business in Fiji.

We suggest that the income tax rates be reviewed with a view to streamlining the number of taxes and the level of taxes imposed as follows:

- Remove STT and SRT;
- Reduce ECAL to 6%;
- Reduce Airport Departure Tax to a more competitive level; and
- Align the tax regime for business activities undertaken by sole traders (which would include MSME ventures) to the prevailing corporate tax rate and remove SRT. Sole traders are currently disadvantaged because of the high tax rates that they can be subjected to when making high profits.

The loss in revenue from these measures can be offset through the implementation of other initiatives, which may include the following:

- Introduce ECAL of 6% on all corporate entities (including SPSE listed companies), based on the profit levels of the company. Corporates should be responsible for contributing to environmental funding and reducing their carbon footprint. The reduced tax rates have not achieved the desired impact i.e. to have more businesses set up in Fiji, nor the increase in the number of companies getting listed on the SPSE. In any case, the dividends from companies are tax-free;
- Increase the annual LTA taxes (ACC, wheel tax, road levy, inspection fees) on private motor vehicles. This would effectively make vehicle owners responsible for issues such as



motor vehicle pollution, congestion and road conditions. This should not be levied on commercial vehicles as the cost would be passed on the consumer;

- Business licence fees – increase the annual fee and introduce a tier levy system according to the company size as defined in the Fiji Companies Act.

### 3.3.2. Other Charges to be Allowed as Deductions

Stamp Duty and Fringe Benefit Tax (“FBT”) should be allowed as deductions as these costs are incurred in the conduct of business.

It should be noted that with the disallowance of stamp duty and FBT as tax deductions, taxpayers could end up paying income tax although they have not made a profit, which is inequitable.

### 3.3.3. VAT and Income Tax Refunds and Interest on Delay in Refunds

We understand that with the current pandemic, Government may be faced with cashflow issues. The FIA suggests that the FRCS continue to pay VAT refunds, and if necessary, this can be done by staggering the amounts paid out.

Furthermore, the FIA still believes that as an incentive to the FRCS to continue to improve its refund practice, **interest should be automatically paid** for the delay in issue of refunds as provided for under the respective legislation, similar to how late payment penalties are automatically imposed by the FRCS

### 3.3.4. PAYE Final Tax and Business Losses for MSMEs

The reintroduction of offsetting of business losses with employment income is welcomed and to some extent addresses the concern raised by the FIA in prior year submissions.

We suggest that the threshold of \$20,000 to be removed to further encourage business activity in MSMEs by individual taxpayers.

### 3.3.5. Taxation of Depreciable Assets

The removal of depreciable assets from the definition of capital assets effectively imposes income tax on all gains derived from the sale of depreciable assets (which includes buildings). This is a major shift in policy and is a form of retrospective tax on gains that were not subject to any tax before May 2011.



We suggest Government review the overall policy and amend the FITA to impose only CGT on capital gains.

### **3.3.6. Capital Gains Tax (“CGT”)**

The current exempt CGT threshold for resident individuals and Fiji citizens is \$20,000.

We suggest that this amount be increased to \$30,000 in line with the income tax threshold which was effective from 1 August 2017.

### **3.3.7. Non-Resident Withholding Tax (“NRWHT”)**

A clearly articulated and applied position and reasoning in respect of the levying of NRWHT on cross border payments is essential for business. These tax rules should be consistent with the overall provisions of the FITA and strictly adhere to the provisions of the Double Tax Agreements (“DTAs”) that Fiji has with various countries.

As Fiji continues to grow economically and Fiji businesses utilise foreign professional services, the impact on business costs increases significantly when the FRCS incorrectly levies NRWHT on these services, and the Fiji business is required to bear the cost of the incorrect imposition of NRWHT. Furthermore, resources including funds that may be used for deriving more income (which means more revenue in the form of taxes for the Government) are diverted to unproductive purposes in objecting to the incorrect imposition of NRWHTs.

We would like to suggest that the FRCS provide, in consultation with the business community and the FIA, clear definitions on the items (services) on which NRWHT is applicable.

Additionally, where the profit margin on professional services is very low (e.g. 7%) it is inequitable to charge withholding tax at a rate of 15%. To address this inequity, we suggest that the old rules be reintroduced and allow abatement or rebate of withholding tax paid to non-residents by allowing the non-resident to lodge income tax returns and claim credits for any NRWHT paid.

The above change would be consistent with international practice and reduce the cost of doing business as the tax is often borne by the Fiji entity on a grossed-up basis.

### **3.3.8. NRWHT on Payments for Professional Services**

The FRCS’s current practice is to impose NRWHT on all payments for professional services. This is inconsistent with the provisions of most DTAs, resulting in many service providers not being able to claim credits for the NRWHT paid in Fiji. Consequently, most service providers



require payment on a grossed-up basis thus resulting in increased costs of doing business in Fiji.

NRWHT should be imposed in accordance with the provisions of the relevant DTAs. Relevant DTAs should be renegotiated where Government intends to impose NRWHT on all payments for professional services.

### **3.3.9. NRWHT on Reimbursements**

The FIA is concerned that the FRCS has not changed its position with respect to this matter.

NRWT is being imposed on all cost reimbursements even where there is no profit element. The idea behind this was to capture taxpayers who were including withholding income into reimbursements which was not subject to NRWT in the past. We agree that the FRCS should strongly penalise such offenders; however, compliant taxpayers are now being unfairly penalised due to the current position taken by the FRCS. Such practice can be very detrimental to doing business in Fiji and increases the overall cost of doing business as most service providers would require payment on a grossed-up basis.

NRWT should not be imposed on cost reimbursements especially where supporting documentation is available to substantiate the cost reimbursement.

Imposing NRWT on reimbursements is also not consistent with international practice and could impose tax upon tax where the reimbursement includes Fiji hotel and other similar expenses on which tax has already been paid.

### **3.3.10. Contractor's Provisional Tax ("CPT")**

We acknowledge Government's initiative to revert to the Certificate of Exemption ("COE") approach in the COVID-19 Recovery Budget amendment.

However, we still note that effective 1<sup>st</sup> August 2019, the Standard Interpretation Guideline (SIG) overrides the Practice Statement on this subject. The change being now to include implied contracts. Again, the current law and practice imposes CPT on such payments for services. This practice is still contrary to the intention behind the deduction of CPT from payments for services (the intention being to collect tax payable by non-compliant service providers at source). It is unlikely that non-compliant taxpayers will enter into written contracts.

Consideration should be given to repealing the current provisions relating to CPT and fully reintroducing the COE regime which will reduce compliance costs for businesses and the FRCS's administrative costs. This will achieve the overall intention of CPT i.e. to tax non-compliant taxpayers by imposing CPT at source.



### **3.3.11. Penalties**

The current penalty rates which range from 20% to 75% are quite high and draconian. The high rate of penalty is also a deterrent for voluntary compliance by taxpayers.

We suggest that the penalty regime and Practice Statement for implementation of the same be reviewed to ensure that while it provides a deterrent for non-compliance, it also allows those who wish to voluntarily comply, to do so without being unduly penalised. We also suggest that CEO discretion be extended to all penalty regimes and not for administrative penalties only.

We acknowledge the Government and FRCS' efforts to suspend late lodgement penalties from 1<sup>st</sup> April to 31<sup>st</sup> December 2020. We are of the view that this should extend to late payment penalties for consistency.

### **3.3.12. VAT on Residential Accommodation**

We understand that the intention of imposing VAT on residential rentals is to impose VAT on high rental properties.

However, under the current legislation, VAT is imposed on residential accommodation by reference to the total rental income of the landlord from residential accommodation, as opposed to the rent paid by the tenant. This could have the potential of VAT being payable on low-end rental properties occupied mainly by low income earners where the landlord has a number of such low-end properties with the total rental income of the landlord exceeding the \$100,000 threshold.

We suggest that VAT be imposed by reference to rent paid by the tenants as opposed to the total rental income of the landlord.

### **3.3.13. Thin Capitalisation Rules**

We acknowledge Government's intention to suspend the current "Thin Capitalisation Rules" till 31<sup>st</sup> December 2020.

However, in the long term our recommendations remain in that Thin Capitalisation Rules should, for group entities within Fiji, apply on a net debt and net interest basis, given the test of eliminating borrowings which pass from one entity to another and interest expense which is offset by interest charged to another related party.



**3.3.14. Royalties – Double Taxation (Income Tax / Fiscal Duty)**

The FIA notes that the FRCS has recently started to impose fiscal duty plus VAT on certain royalty payments (including lease of assets from offshore) on which non-resident royalty withholding tax has already been paid. As a consequence, the taxpayers are now subject to double taxation on the same transaction, including a double imposition of VAT.

The FRCS needs to determine the nature of the royalty payments, i.e. whether these are value consideration for services (subject to non-resident royalty withholding tax plus reverse charge VAT) or value for the goods (subject to fiscal duty plus VAT).

Accordingly, the FRCS and Government policy needs to determine if it wishes to impose the 15% non-resident royalty withholding or the fiscal duty in respect of these royalty payments but not both.

Any changes in law or practice should be prospective.

**3.3.15. Debt forgiveness**

We note that the Government and the FRCS in its efforts to provide further incentives to taxpayers under the current pandemic has suspended the debt forgiveness provision in the FITA from 1<sup>st</sup> April to 31<sup>st</sup> December 2020.

We suggest that the debt forgiveness provisions should be repealed altogether as the accounting principles of reversing entries will capture items for which deductions were previously claimed and subject such reversals to tax.

**3.3.16. Taxation of Life Insurance Companies and Mining Sector**

Currently, the taxation of the mining sector and that of life insurance business continues to be determined based on the old provisions of the Income Tax Act (Cap 201). In this regard, the FIA suggests that:

- a) Under the provisions of Section 49 of the FITA, the appropriate regulations for the computation of tax for the life insurance business should be finalised and gazetted. FIA suggests that this regulation is drafted in consultation with the industry stakeholders and relevant bodies; and
- b) Part 6 of the FITA dealing with the taxation of the mining sector should be made effective immediately.



### **3.3.17. Tax Avoidance Provisions**

The FIA agrees that the FRCS should collect its fair share of taxes and penalise those taxpayers that intentionally engage in schemes to avoid taxes.

However, the tax avoidance provisions in its current form (amended in 2017) restricts businesses and taxpayers from engaging in any form of planning and assumes that the maximum taxes should be paid, even though the planning may not be primarily motivated by tax implications. Businesses and taxpayers engage in planning for various reasons including succession planning, exit strategies, asset protection, etc.

The tax avoidance provisions should be reconsidered to allow businesses and taxpayers to properly plan their affairs. The FRCS should also reconsider its stance with respect to planning around tax incentives available to taxpayer. This will also allow businesses to invest and grow without the undue risk of the FRCS deeming as a tax avoidance scheme, every transaction that does not result in the maximum potential tax earnings being derived.

### **3.3.18. Statute of Limitations**

The CEO of the FRCS may amend a tax assessment at any time in case of fraud, wilful neglect, or serious omission by or on behalf of the taxpayer, or in any other case, within 6 years of the date the assessment.

The FIA reiterates that it agrees that the FRCS should collect its fair share of taxes and penalise those taxpayers that intentionally engage in tax fraud.

We also reiterate that the current definition of “serious omission” in the TAA is very broad and allows the CEO of the FRCS to amend assessments at any time where there is an omission of any amount of tax, even if the omission was not intentional. This practically indefinitely extends the 6-year limitation on assessments being reopened even if no fraud is involved. The effect of this is that taxpayers would need to maintain records indefinitely to defend any adjustment that the FRCS may seek to make in the future. This also affects the certainty and confidence of doing business in Fiji.

We suggest that the CEO of the FRCS be provided with discretion in the application and removal of Section 46(a) audit penalties.



### **3.3.19. Customs Duty on imported goods**

This is currently assessed on CIF Value i.e. FOB Cost + Insurance + Overseas Freight. As Fiji is regionally isolated and far from the ‘source’ markets (such as NZ, Australia, USA, etc.), the overseas shipment cost i.e. freight component is usually quite significant. It would assist the business community if Customs Duty is calculated on the FOB Value (i.e. excluding overseas freight and insurance costs).

Example:

- FOB cost of goods from Australia \$10,000
- Insurance 1% \$100
- Freight for one container \$3,000
- CIF value \$13,100
- Customs Duty at say 15% \$1,965
- Landed Cost to importer \$15,065

If Customs Duty was based on FOB Cost of \$10,000, then 15% Customs Duty would be \$1,500; so, the Landed Cost to importer is only \$11,500 (and not \$15,065). This would result in a significant saving of over \$3,500 for the importer which would mean Fiji would become more competitive and the purchasers (and consumers) would enjoy a cheaper price on those goods.

### **Regulatory reform / other recommendations**

#### **3.3.20. Registrar of Companies (“ROC”) – re-registration process**

We note and commend the Government for taking the step to update the records of the ROC to include all existing companies and business names, via the re-registration process.

The due date for these re-registrations is 15 July 2020.

Due to the effect of the COVID-19 pandemic, the business community needs more time to arrange for the required re-registrations.

In view of the above, we request that consideration be given to extending the due date for re-registrations to 31 October 2020.



### **3.3.21. Eliminate duplicated regulatory steps**

Government departments, including statutory bodies, need to remain focused on reducing unnecessary legislative burden on business by reducing red tape and unnecessary compliance costs. For instance, there are documentation requirements that are duplicated by several regulatory bodies. There is a need for a “one stop shop” concept and FIA considers that any proposed legislative / administrative changes should be subject to stringent tests on its necessity, design and impact on investors and businesses.

Examples:

- The need to obtain approval from both Investment Fiji and the Reserve Bank of Fiji for changes in shareholding increases compliance costs and is time consuming. Approval should only be required from one regulatory authority and the different regulatory authorities should be encouraged to share information.
- One of the roles of Investment Fiji is to approve and recommend investor permit approvals for foreign investors to the Immigration Department; however, the Immigration Department also conducts a verification and repeats the same compliance requirements. This is a duplication of processes which results in unnecessary delays in the approval process.

### **3.3.22. Family Care Leave**

While we acknowledge the COVID-19 measure of reducing family care leave and paternity leave to 2 days per annum during the COVID-19 period, we believe that a review and re-design of family care leave is needed. This leave has caused substantial work disruption since no advance notice is required and businesses are not able to monitor the same.

We suggest that the Government consider combining sick leave, family care leave and bereavement leave, with a total of 15 days.

### **3.3.23. FNPF Penalties**

We note that penalties for late payment of contributions are \$100 per employee per month, irrespective of the amount of the FNPF contribution. The penalty regime is also now automated within the FNPF IT software. These penalties are extremely high, considering some contributions may be as low as \$30 per employee per month. It is also unclear as to whether the penalty benefits the employee whose contribution was paid late.

We recommend that the penalties be reviewed to a more reasonable level, commensurate with the amount of the late contribution and include an element of additional contribution to the employee (akin to interest foregone on the employee’s balance).



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**3.3.24. Biosecurity Authority of Fiji (“BAF”) charges**

The BAF imposes levies on all cargo, even if this has already been fumigated overseas (i.e. despite Fumigation Certificate produced as evidence).

We recommend that charges be not levied on containers (FCLs) that have been fumigated overseas, provided that a certificate is produced by the importing entity as evidence of the same.

**3.3.25. Land Transport Authority (“LTA”) - Weight restrictions on trucks**

The LTA currently imposes a maximum 12-ton weight restriction on trucks. A full container of goods arriving from overseas often has a weight of over 12 tons (e.g. a full container of drinks could weigh about 30 tons). The importer has no choice but to open the container at the wharf and hire lifters to reload cargo into 2 or more trucks in order to spread the load. On the other hand, if the importer advises the exporter to ship in loads not exceeding 12 tons, then the exporter will need to pack cargo in 3 containers (rather than one). In this situation, the freight cost triples as the freight is levied per container.

We recommend that the weight restriction is removed for overseas containers (FCLs) which need to be fully packed at source for obvious economic reasons.

**3.3.26. Tax Agent concerns**

Please refer to Appendix A for an outline of recommendations with regard to Tax Agents.

**3.3.27. Other areas for consideration**

Please refer to Appendix B for some other issues for consideration by Government going forward.

**3.4. RATIONALISE THE SIZE AND OPERATING COST OF GOVERNMENT**

FIA supports Government’s expenditure policy which is aimed at offering efficient Government services, developing infrastructure, and support and assistance to the needy. Emphasis however needs to be placed on proper management and control of expenditure and improving efficiencies within Government, thereby maximising returns for each dollar spent and importantly getting it right the first time.

We also commend Government’s initiative in increasing its level of capital expenditure. Government should also invest in the maintenance of its assets to avoid substantial capital expenditure in terms of replacement of assets due to lack of proper maintenance.



We also suggest that the Government consider making reductions in its operating expenditure where possible, particularly for non-productive areas.

One of the key areas that may be considered would be to follow in the steps taken by the private sector and reduce the civil service payroll (which we understand is the Government's largest expenditure item). We suggest that this be reduced by 15% to 20%. The savings may be diverted to areas that have been discussed earlier in this submission to create further economic activity and employment opportunities.



#### **4. CONCLUSION**

We believe policy frameworks for the various relevant areas should be developed and reviewed consistently with the National Development Plan with a focus on sustaining growth in light of the current pandemic. The policy framework for relevant areas such as trade, investment, fiscal and monetary policy including taxation should then be used to ensure that the existing and future laws are consistent with this policy framework.

We note Government's efforts in the COVID-19 Recovery Budget in March 2020 to incentivise the economy. We believe that a stimulus approach needs to be taken. Incentives granted and taxing provisions must be continuously reviewed in light of the current economic situation, and employment needs to be high on the Government's agenda for the upcoming budget.

Government needs to provide the platform for a private sector driven economy. This can be achieved by streamlining regulatory requirements and processes to improve the ease of doing business.

Establishing clear and transparent policies after proper consultation with stakeholders and announcing these as part of the Budget allows stakeholders to plan accordingly. Ensuring these policies are consistent with the overall development plans, while being properly and consistently applied would further enhance investor confidence.

Increasing investment, import substitution and exports in the medium to long term are imperative for economic stability and growth. Furthermore, whilst striving for economic recovery, Government needs to relook at health strategies to ensure a fit and healthy population that can take the country forward.

We would be pleased to provide further assistance, guidance and support to Government, and work with Government to achieve our mutual national goals.



## **APPENDIX A – ISSUES AFFECTING TAX AGENTS**

### **Section 116A of the Tax Administration Act (TAA)**

We note that the FRCS and Government have still not endorsed nor implemented the FIA's concerns and request for changes with regards to this provision. We again discuss this concern as follows:

- The FIA notes the FRCS and Government's position in relation to section 116A of the TAA, this being that Tax Agents should behave properly and consistently with the law. While the FIA has always and continues to support this position, it also maintains that Tax Agents should be given fair and proper treatment and not be taken to task where they did not knowingly or recklessly provide materially incorrect details to the FRCS while acting as Tax Agents.
- The FIA is concerned that a plain reading of the words of section 116A suggests that it does not require the element of intent to constitute an offence or, as in other sections, provide a defence such as if the person is not aware or has knowledge of the relevant matter that gives rise to the offence. On the face of it, a Tax Agent could be charged with an offence in relation to information, a statement, an entry, document that is provided or submitted to a tax officer that the Tax Agent does not know (and has no reason to suspect) is false or misleading.
- This is a concern in that while the taxpayer is protected with provisions under the law to safeguard them where they did not knowingly or recklessly break the law, prima facie the same level of protection is not provided to Tax Agents.

We reiterate our request that appropriate amendments be made to Section 116A to ensure that the section only applies to a Tax Agent in relation to actual tax work and the requirement for intent.

### **Tax Agents' Portal**

We understand that the FRCS is doing all its best to make this work and we understand it will take time. However, the FIA is of the view that on an overall basis, the portal can be improved. Some of the problems still being experienced and suggested solutions are as follows:

- Team leaders can only assign tasks, but have no other administrative access such as checking and reviewing returns online;
- Ability to view clients for only 1 tax agent, and denies viewing other clients that maybe under a couple of tax agents for different tax purposes;
- Logins not working properly (multiple logins for different tax agents);





- No flexibility in claiming Customs VAT for future months where VAT has been paid and documents received by the taxpayer. The only solution available is to amend the VAT return when these documents are made available;
- Utilities invoice numbers - vendor invoices do not have a proper invoice number, so account numbers are used. This generates an error in the portal with regard to VAT input claims on such invoices;
- Notices of Assessment from TPOS generated from the portal are not detailed, that is, it does not show sales, VAT output and input declared. Only shows payment made and assessed amount;
- Since VAT lodgement is online, we request that objections can be done via TPOS;
- VAT objections to amended assessments cannot be lodged on TPOS;
- For VAT amendments, could the officer at ORT be identified;
- When tax becomes due, and is allocated to DMS, case manager contact details should also be shown;
- For change in details request, we request a confirmation email to both the tax agent and the taxpayer;
- Allow clients Statement of VAT Account to be obtained via the tax agent portal.

## **Other**

- Create a special window of providing service to Tax Agents similar to the “Gold Card” system currently in place for high-value business taxpayers.
- Given that the Tax Agents are now exposed to severe penalties, we request that the Tax Agents be profiled to ensure they are properly qualified and admissible to the FIA.
- It is noted that a draft Tax Agents’ Code of Conduct was circulated by the FRCS for review and comments by the FIA during 2016. We suggest that the FRCS staff code of conduct also be circulated to Tax Agents for their information and to assist in ensuring that the code is followed.



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## **APPENDIX B – OTHER AREAS FOR CONSIDERATION**

### **Tax Evasion and the Hidden Economy**

We note that the FRCS has introduced the whistle blower policy and is aggressively looking at Customs compliance issues.

We suggest that the Government also review and implement initiatives taken by other countries to reduce the level of tax evasion and the hidden economy.

### **Review of Transfer Pricing Legislation**

A review of Transfer Pricing legislation for clarity on documentation requirements is needed. For example, what should be included in Transfer Pricing Documentation, whether entities meeting a certain threshold should lodge Transfer Pricing documentation, or whether group documentation that includes the Fiji entity is sufficient. De-minimis rules for small and medium enterprises may be introduced, with up to, say, three related party transactions, e.g. interest on loans or management fees which provide a minimum or maximum acceptable benchmark rate, and for which transfer pricing documentation is not required.

Consideration should be given to legislating the Advanced Pricing Agreement (APA) process. APA is an administrative approach that attempts to prevent transfer pricing disputes from arising by determining the transfer price(s) prior to the transactions taking place. The idea of APA is to reach an agreement prior to the transaction, whereas a transfer pricing audit examines the transaction after it takes place.

Any proposed introduction of related penalties should be carefully reviewed before its imposition and should be consistent with the TAA penalty provisions.

### **VAT Act**

The Fiji VAT Act was adopted from the New Zealand Goods and Services Act (GST Act). Since the time of introduction of the VAT Act, the GST Act has been amended to consider complex transactions and new products.

We suggest the VAT Act should be reviewed in this context to ensure there is more certainty in pursuing new business initiatives using new products and processes. We understand that the FRCS has completed the third draft on the VAT Act. We encourage the FRCS to continue to expand the consultation process prior to implementation. The FIA had worked closely with the FRCS in the drafting of the current FITA, and we welcome an opportunity to work collaboratively again with FRCS on the draft VAT Act.



## **Tax Tribunal**

The mechanism for challenging decisions of the FRCS are simply through the Tax Tribunal which can be an expensive and a lengthy endeavour and cost inefficient, particularly where the matter is one of principle and the quantum of tax is not significant. Such practices create more uncertainty for businesses, discourage further investment and erode the confidence of doing business in Fiji. There should be an alignment of the Customs laws with the Tax laws in this regard as well. The Customs Laws require the taxpayer to address any assessments at the court level rather than independent review at FRCS level. The call comes from the fact that the FRCS conducts joint audit operations on importers who are taxpayers on similar issues.

## **Independence from Objection Review Team (“ORT”)**

FIA would like the FRCS to further ensure a high level of independence with the current ORT when dealing with objection cases. What is being noted is a rather aggressive approach by some units at the FRCS where technical issues are assessed rather hastily and sent to the ORT to resolve.

## **Role of the FRCS in Promoting and Stimulating Investments and Economic Activities**

The FRCS plays an inherent role in promoting investment and economic activities. We suggest that the FRCS be aware of this role and ensure that it recognises the commercial reality of economic activity and be able to visualise economic results.

We reiterate some avenues available to the FRCS to assist in this role include:

- Identification and implementation of specific measures to improve dialogue and understanding between the business community / investors and the FRCS. Establish forums to consult the business community. For example, a forum by the FRCS with the shipping industry, the manufacturing industry or even the hotel industry.
- Continuing to undertake an independent review of the tax administrative policies, procedures and activities to assess its impact on business activities and economic activities, and its impact on the economic development of the country. Such reviews are carried out regularly in a number of countries with the objective of identifying difficulties and problems faced by businesses and taxpayers, with suggestions for improvements and systems and processes aimed at promoting business activities and economic growth.
- Improving customer service levels and internal efficiencies to allow business processes to be completed effectively and efficiently by relevant officers and minimising the duplication of effort and time to attend to taxpayer matters.



- Exercise of the Commissioner's discretion in all tax laws to consider changing technologies in the various industries.

### **FRCS – As a Business and Commercial Enterprise**

As discussed in last year's submission, there is a need for the FRCS to view its operations from a commercial / cost/benefit approach. Inefficiencies in business and IT processes as well as time spent by staff in resolving matters are all costs to business.

We acknowledge that based on past submissions on this issue, the FRCS has extended its opening hours for lodgement on Saturdays from 9am to 1pm and have opened satellite ports for tax and customs payments in attempts to reduce at least some business cost.

Other measures that may be considered include:

- Working with other regulatory bodies such as Investment Fiji and other Government Ministries on approved projects by proactively reaching out to these taxpayers and working out solutions to ensure that projects are not stalled. FIA would like to propose the set-up of a toll-free line for FRCS, FNPF, Immigration and Investment Fiji to save on communication cost for investors and businesses when seeking advice.
- Further profiling of taxpayers with the objective of providing greater flexibility to taxpayers (including MSMEs and individuals) maintaining a high standard of compliance. Furthermore, Government needs to look at the ease of doing business, particularly for MSMEs. There are many procedures and requirements to start a business along with the related costs. This issue needs to be properly reviewed and addressed so that MSMEs can be set up efficiently and be allowed to operate without the unnecessary cost and red tape.
- The FIA acknowledges and commends the FRCS on the introduction of a taxpayer profiling process for the purposes of compliance. However, the FIA suggests that this process be developed further and shared with taxpayers to promote transparency and positive working relationships. This process will be of further benefit if it was also used to reward compliant taxpayers with improved *ease of doing business* and tax compliance processes (similar to Gold Card).
- The FRCS should update its records for corporate taxpayers directly from the ROC database. The FRCS's current database is not automatically updated when there has been changes in directorship, which is registered with the ROC. As a result, requests for Tax Compliance Certificates are unnecessarily delayed due to non-compliance or tax outstanding by former directors.



- The FRCS should allow month-end deadlines that falls on a weekend to be lodged the next working day for all tax lodgements and payments. This practice is used by the Australian Tax Office. For example, if the month end falls on a Sunday, then the last day for lodgement should be the next working day, which is usually on the Monday.

### **Taxpayers' Charter and Tax Dispute Resolution Service**

The establishment and promotion of the Taxpayers' Charter and the Associated Tax Dispute Resolution Service is long overdue. The proposed set up of a committee to review FRCS actions is yet to be made effective. This will provide taxpayers with an avenue to seek redress on their issues, but also more importantly set a benchmark for FRCS's service standards and practices.

### **Human Resources**

#### ***Focus on Trade Skills***

We suggest the development of trade skills such as carpentry, electrical, plumbing, tiling and other skills needed in our construction industry. By working in conjunction with the FNU and APTC, we can develop and incentivise young people to take up training in these areas. We note that there are general employment incentives for businesses to take on apprentices but not specific to skilled trade people.

#### ***Training focus***

While technical skills are important, employers now look for people who also have a good work ethic, attitude, communication skills, and other soft skills. Problem solving, delegating, motivating, and team building are all much easier with good soft skills.

#### ***Immigration***

Work permits needs to be made easier to obtain. Expatriates bring expertise, experience, improved work discipline, improved work commitment, work culture and provides critically needed 'human capital' to support businesses, expansions, investments. These expatriates are able to train and pass on their technical and other attributes to locals, who are then able to use these skills in their career aspirations and to assist economic growth for their employers.



## **Registrar of Companies**

### *Awareness / Amnesty*

With the introduction of the new Fiji Companies Act (FCA) we suggest that more awareness sessions be carried out by the ROC and / or relevant Government agencies, in view of the new requirements, substantial new charges and penalties and other changes.

We also suggest that the Government consider an amnesty period to allow entities to update their statutory and compliance requirements without being penalised.

### *Re-registration process*

Historically, the records/registers of Companies have not been updated on a timely basis when changes in directorships and shareholdings, etc are filed. As a result, company searches which are required, particularly when opening up bank accounts or for changes to signatories are delayed due to the records not updated.

We note and commend the Government for the move in to update the records of the ROC to include all existing companies and business names, via the re-registration process. We recommend that with this process, that the updating process by the ROC on an ongoing basis be reviewed and an improvement process implemented.

In addition to the above, we strongly recommend that the current online portal platform provided by the ROC be updated so that all of its features are accessible and company searches can be conducted online with electronic lodgements and payments.

We also suggest the following initiatives over the next few years:

- Titles Office – digitisation of the entire database so that related services including title searches can be conducted online.
- Department of Town and Country Planning – the application and approval processes need to be simplified and made efficient and robust with minimum turnaround time of five (5) working days.
- Immigration Department - digitisation of systems so that online applications and payments can be made.
- Town Councils – processes to be simplified and digitised so that online applications and payments can be made.



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## **Public Sector Reform**

We suggest the following:

- The FIA understands that Government revenues now amount to approximately 35% of GDP. We suggest that the Government assess any unproductive sectors within the various Ministries and take appropriate action to generate revenue from such sectors.
- Government should also consider implementing a shared services model for the Ministries as a means of reducing costs.
- Government should relook at strategies with regard to the notion of a private sector led economy and the efficiency and effectiveness of the use of resources.
- Continue to implement public sector reform measures to deliver efficient and effective services and enforce accountability in the public service.
- Review disciplinary procedures for civil servants to expedite the process.

## **Health Care**

We acknowledge the Government's recent efforts in assisting in the prevention of the current spread of the COVID-19 pandemic through incentives such as zero-rating and zero-duty on certain medical items.

We are of the view that targeted efforts are required for further and continuous improvements to hospitals and health centres from both a capital and operating perspective. There have been continuous calls for improvement to our public health systems. We do commend Government's hard work towards building of the new hospitals and health centres around the country and suggest the focus should continue.

We suggest an increased investment in preventive health which must include early detection and education to tackle non-communicable diseases including cardiovascular diseases, obesity, and smoking. The FIA considers that such investment will substantially reduce the impact on our on-going limited medical resources.

The FIA also suggests that the government consider exploring a National Medical Scheme for all citizens of Fiji (similar to Medicare in Australia).



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**Education**

Commitment to education should be continued. Given the current situation, Government should consider investing in satellite mode for remote education to ensure quality education is available to every child. Again, the quality of the Fiji workforce is the key for transformation to a knowledge-based economy. The FIA considers that the government should ensure that our education and training bodies are sufficiently funded to support and train our workforce.

The focus must therefore be on investing in tomorrow's workforce, improving our management capability and encouraging lifelong learning. This will be achieved by improving the educational facilities, improving academic resources and introducing strategies and measures to develop a pool of qualified, skilled and competent teachers.

Improving the teacher to students' ratio could also improve the education standards.

**Laws of Fiji**

We note that Government has updated all legislation and the whole set of the Laws of Fiji is now available, but at a significant cost. This makes the updated laws inaccessible to the ordinary citizen of Fiji. Furthermore, the updated legislation will quickly become outdated as new amendments are introduced.

We suggest that the Laws of Fiji be made available and updated online to make it readily accessible and current at all times, as a public service to the citizens of Fiji.

**Tax Ombudsman**

As discussed in last year's submission, the taxpayer perception of a tax system is critical to ensuring voluntary compliance. Further to the setting up of FRCS's Objection Review Team, the appointment of an independent Tax Ombudsman could further provide assurances that there is an independent review available to taxpayers before the courts.

In most countries the Tax Ombudsman is seen as a critical role in providing an independent avenue for taxpayers to lodge complaints and seek an impartial review of tax office decisions.

Accordingly, the FIA considers that there is a need to create an independent body outside the jurisdiction of FRCS where taxpayers, particularly small and medium enterprises, could appeal to if they feel that they had been treated unfairly by FRCS, especially when many could not afford to go the legal route. We understand that there is a current proposed committee made up of professionals from the private sector that will be tasked to review FRCS actions and activities. It would have been preferred that the Tax Ombudsman take over this role.





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The basic function of the office of Tax Ombudsman will be to diagnose, investigate, redress and rectify any unfair action and treatment, bias or prejudice or faulty procedures or unfair administration of the tax laws by FRCS, or speed up an action. This is not to detract from the current objection and appeal procedures against an assessment that the taxpayer believes is incorrect.

### **Judiciary**

An efficient and independent judiciary is one of the critical factors for attracting investment.

Measures should be taken to further strengthen the judiciary to provide assurance to investors on the effectiveness of the judicial system and processes.