FIJI REVENUE AND CUSTOMS SERVICE
MICRO, SMALL & MEDIUM
BUSINESS COMMUNITY

MICRO, SMALL AND MEDIUM ENTERPRISES (MSME) GUIDE

For more information,
please call us on 324 3000 or 1326
or email: msme@frcs.org.fj

Disclaimer

The content of this Booklet aims to provide a better general understanding of taxpayers' and is not intended to comprehensively address all possible issues that may arise. While every effort has been made to ensure that this information is consistent with existing law and practice, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. It is recommended you obtain independent financial or tax advice for your own specific circumstances. Should there be any changes to law and practice, FRCS reserves the right to vary its position accordingly.

OWNERS BIODATA

Name

Email

Contact

Taxpayer Identification Number

Address

BUSINESS INFORMATION

Business Registration Number

Business Name

TAXPAYER ONLINE SERVICE (TPOS)

User ID

Password

Contents

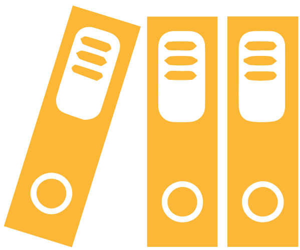
Record Keeping

A clear record of your business's performance is extremely valuable when the time comes to planning and decision-making. Proper record keeping requires practice and dedication. Record keeping results can assist you in planning and address areas where business performance can be better.

Daily record keeping can assist in avoiding mistakes and even detect fraud. It can also aid in knowing one's financial performance and position. There are legal reasons for keeping accurate records, as well as a good business practice. Section 34 (1) of Tax Administration Act 2009 requires every taxpayer to maintain records and take reasonable care to maintain, in Fiji in English.

What are some of the records which are important to me?

- Bank Statements
- Receipts
- Purchase Orders
- Invoices
- Correspondence from Tax Office
- Employee Information
- Vendors
- Customer List
- Accounts Payable
- Accounts Receivable
- Sales Records
- Business expenses
- Contracts
- Others that is relevant to business operations



Advantages of Record Keeping

- Expected profit is known at any point of time
- Business spending is tracked
- Sound decisions about purchases can be made
- Set pricing
- Future investments can be made in regard to creating of your product or service
- Analysis of budgeted amounts to actual costs
- Access customer information without hinderance

- Provides protection to business in the event of audit
- Preparation of tax returns

To know one's financial position and performance daily records for sales and expenses must be kept. Separation of one's personal budget from business budget needs to be practiced so that record keeping can be made a lot easier.

How to develop a Book-Keeping System

Bookkeeping is the recording of day-to-day business transactions for sales and expenses. Business owners mostly use spreadsheet software or hire a bookkeeper for this task. There are 2 accounting methods of recording: accrual or cash.

Example 1: A business has invoiced a sale of $500 to a customer.

Accrual Method:
If a business invoices a customer for a sale of $500 in April, he will record a sale in April books even if he ends up receiving the actual payment of $500 in May.

Cash Method:
The business won't record the transaction until the actual cash payment of $500 comes in.

Sales

Sales refer to any transactions where money or value is exchanged for the ownership of a good or entitlement to a service.

There are 2 types of sales: Cash Sales and Credit Sale

Daily sales record

Cash sales

Example 1
Ratu Inoke sold groceries from his canteen to a customer for which he received cash payment.

Date	Sales Invoice #	Product Description	Price ($)	Tax %	Total Sales
05/01/2024	54935	Flour	$ 16.00	0%	
		Chicken	$ 20.00	15%	$36.00
10/01/2024	54985	Sugar	$ 4.50	0%	$4.50

Credit Sales

Example 2
Ratu Inoke sold groceries from his canteen to Sera on credit who took the goods and advised that she will pay her dues in one week.

Date	Name	Sales Invoice #	Product Description	Price ($)	Tax %	Amount Receivable
05/01/2024	Sera	54928	Flour	$ 16.00	0%	
			Sugar	$ 6.00	0%	
			Chicken	$ 20.00	15%	$42.00
10/01/2024	Vili	54931	Beer	$ 10.00	15%	$10.00

** The product items in these sales record will be treated as canteen sales (Stock) in P&L statement.*

Expenses

For a small firm, expenses are costs that occur during the revenue generating process i.e. Business Expenses. These expenses which include a variety of things are required for the daily operation of the company.

Categories of expenses: Fixed cost, Variable cost, Administrative Expense, Taxes, Miscellaneous Expenses,

Cash Expense

Example 1

Ratu Inoke bought A4 paper from Print House on cash for his Consulting Business.

Date	Method of Payment	Invoice #	Paid To	Product Description	Amount Paid
10/05/2024	Cash	695423	Print House	A4 Paper	$40.00
18/05/2024	Cash	78245	Janty Kanvan	Stationery	$10.00

Credit Expense

Ratu Inoke bought A4 paper from Print house on credit. He paid $25 and was told to clear his balance of $15 in a month.

Date	Method of Payment	Invoice #	Paid To	Description	Total	Paid	Balance	Due Date
10/05/2024	Credit (Cheque)	695423	Print House	A4 Paper	$40.00	$25.00	$ 15.00	10/06/2024
15/05/2024	Credit (Hire Purchase)	943258	Courts	Printer	$320.00	$50.00	$270.00	15/07/2024

** The product item in this expense table will be treated as Office Supplies and Equipment (Below $10,000) in the P&L Statement.*

VAT

If you are carrying out a taxable activity in Fiji, you:

- must register for VAT within 21 consecutive days when annual gross turnover of the business is greater than $100,000.00, provided the business is not a produce supplier.

- May voluntary register for VAT if the business is a produce supplier or the annual gross turnover of the business is less than $100,000.00.

A VAT registered business is entitled to claim a credit (referred to as an input credit) for any VAT included in the price of any goods and services purchased and used by the businesses.

Calculating VAT and VAT inclusive Prices

Gross Up Method

Example – VAT Rate 15%

Xixi Homeco Limited, which is registered for VAT, is selling a double door fridge for $2,000 VAT exclusive price (VEP), and needs to calculate the VAT inclusive price. The VAT rate applicable is 15%.

How to calculate VAT portion from a $2,000 VEP if VAT rate is 15%?

VAT = VEP Multiply by 15/100 [15% or 0.15]
$300 = $2,0000 x 15/100

Therefore, Xixi Homeco Limited will charge VAT of $300.00.

CHECK:
VEP = VIP - VAT
$2,000 = $2,300 - $300

How to calculate VAT Inclusive Price (VIP) from VAT Exclusive Price (VEP)?

VIP = VEP Add with VAT **amount**
$2,300 = $2,000 + $300

Net Off Method

Xixi Homeco Limited , which is registered for VAT, is selling a double door fridge for $2,000 VAT Inclusive Price (VIP), and needs to know the VAT amount. To calculate VAT from a VIP price , we use the formula VAT * Vat Fraction. VAT Fraction is calculated with the current VAT rate 15% and the fraction comes to 3/23.

VAT = VIP * (3/23)
= $2,000 * 3/23
= $260.87

Charging of vat is subject to business's Vat registration status

Profit and Loss Statement

A Profit and Loss statement summarizes the revenues, costs, expenses and sales of a company during a specific period.

Example 1: Ratu Inoke has a retail business which made a sale of $50,000 for the year 2024.

He spent $1,500 in purchasing Inventory and $8,000 in buying equipment.

He has the following expenses:
- Electricity & Water: $1,500
- Rent: $2,000
- Transportation: $750
- Uniforms: $230
- Office Supplies: $150
- Wages & Salaries: $10,500
- Bank Charges: $55
- Insurance: $6,250
- Advertising & Promotion: $3,750
- Help him construct a Profit and Loss Statement for 2024

Sample Profit & Loss Statement of Basic Enterprise (Business Name) for the Year Ended 2024

	$	$	$
SALES			
Shop Sales	$50,000		
TOTAL SALES			$50,000.00
LESS EXPENSES			
OPERATING EXPENSES			
Purchase of Inventory	$1,500		
Electricity and Water	$1,500		
Rent	$2,000		
Transportation	$750		
Uniforms	$230		
Office Supplies	$150		
Equipment	$8,000		
Wages and salaries	$10,500		
TOTAL OPERATING EXPENSES		$24,630	
FINANCIAL EXPENSE			
Bank charges	$55		
Insurance	$6,250		
TOTAL FINANCIAL EXPENSES		$6,305	
OTHER EXPENSES			
Advertising and Promotion	$3,750		
TOTAL OTHER EXPENSES		$3,750	
TOTAL EXPENSES			$34,685
NET PROFIT BEFORE TAX			$15,315.00

Balance Sheet

A balance sheet is a type of financial statement that shows the assets, liabilities, and owners' equity at a certain point in time.

Assets = Liabilities + Owners Equity

Constructing a Balance Sheet

Example 1: Ratu Inoke has the following assets and liabilities. Help him construct a balance sheet for his business for 2024.

- Debtors/ Accounts Receivable: $18,000
- Inventory/ Stock: $5,260
- Loans: $68,000
- Creditors/ Accounts Payable: $28,000
- Cash at Bank: $18,815
- Petty cash $2000
- Land and Building: $170,000
- Motor vehicle: $17,810
- Capital $137,570
- Net profit: $15,315.00
- Drawings: $17,000

Balance Sheet for Ratu Inoke for the Year 2024

	$	$
ASSETS		
Current Assets		
Cash at bank	18,815	
Petty cash	2000	
Debtors/ Accounts receivable	18,000	
Inventory/ Stock	5,260	
Fixed Assets		
Land and Building	170,000	
Motor vehicle	17,810	
TOTAL ASSETS		$ 231,885
LIABILITIES		
Current Liabilities		
Creditors/ Accounts payable	28,000	
Long-Term Liabilities		
Loan	68,000	
Total Liabilities		$ 96,000
OWNERS EQUITY		
Capital		137,570
Add: Net profit		15,315
Less: Drawings		17,000
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		$ 231,885

Depreciation

Examples of depreciable assets include machinery, equipment, office furniture, buildings, and computers.

Companies use depreciation to spread out the cost of such assets over their useful lives for both accounting and tax purposes. It allows them to match depreciation expenses with related revenues in the same reporting period. Keep in mind that land is not eligible for depreciation, while buildings and structures can be depreciated.

Items to be depreciated:

- Manufacturing machinery
- Vehicles
- Office buildings
- Buildings you rent out for income (both residential and commercial property)
- Equipment, including computers.

Items not to be depreciated:

- Land
- Current assets such as cash in hand, receivables.
- Investments such as stocks and bonds
- Personal property (Not used for business)
- Leased property
- Collectibles such as memorabilia, art, and coins

How to calculate depreciation:

- Determine cost, salvage value, and useful life of the asset.
- Choose a depreciation method that best suits your business. Most common depreciation method is straight line method.
- Apply the formula and calculate depreciation.

Straight line method:

Example

A company purchased a motor vehicle for $150,000 with a useful life of 4 years.

Answer

Year	Cost of Asset	Depreciation Rate	Calculation of Depreciation	Depreciation
2020	150,000.00	25%	150,000*25%	32,000.00
2021		25%	150,000*25%	32,000.00
2022		25%	150,000*25%	32,000.00
2023		25%	150,000*25%	32,000.00

Thus, the company would depreciate the motor vehicle at the amount of $32,000 annually for 4 years.

Diminishing value method:

A company purchased a motor vehicle at $100,000, a useful life of 3 years. The depreciation rate is 40%.

Answer

1st year: (100,000 x 40%) = $40,000

2nd year: ($100,000 - $40,000) = $60,000
($60,000 x 40%) = $24,000

3rd year: ($60,000 - $24,000) = $36,000.00
($36,000 x 40%) = $14,400

Year	Net Book Value	Depreciation Rate	Charged
1	$100,000	40%	$40,000
2	$60,000	40%	$24,000
3	$36,000	40%	$14,400

Kindly refer **annexure 1** for depreciating rates.

Annexure 1

Asset	Depreciation Rate	
	Diminishing Value	Straight- Line
• Motor vehicles; buses and minibuses with a seating capacity of less than 30 passengers; • Goods vehicles with a load capacity of less than 7 tonnes; • Computers and data handling equipment • Construction equipment • Earthmoving equipment	40%	25%
• Buses with a seating capacity of 30 or more passengers • Goods vehicles designed to carry or pull loads of more than 7 or more tonnes • Specialised trucks; tractors; trailers and trailers mounted containers • Plant and machinery used in manufacturing, mining, or farming operations	30%	20%
• Vessels, barges, tugs, and similar water transportation equipment • Aircraft • Specialised public utility plant, equipment, and machinery • Office furniture, fixtures, and equipment • Any depreciable asset not included in another category	20%	12.5%
Buildings • Brick, stone or concrete • Timber buildings • Steel or steel prefabricated • Steel or steel prefabricated on copra plantations • Bures • Other		2.5% 4% 4% 7% 15% 2.5%

Notes: For any depreciable asset that us not included in these categories, the depreciation rates are 20% and 12.5% (DV)

GLOSSARY OF TERMS

Accounts Payable: the money that a company owes other people or businesses.

Accounts Receivable: the money that other people or businesses owe to a company for goods or services the company delivered.

Accrual basis: an accounting method where a business records revenue and expenses when a bill is sent or received. By contrast, with the cash basis method, a business records revenue and expenses when the money physically enters or leaves the business's account.

Administrative expenses: are those expenses that relate to the regular operation of the business. For example- office supplies (paper, printer ink, receipt paper), training and development, and equipment.

Advertising: a means of communicating with customers about a service or product. Advertising is one aspect of marketing and is usually a paid form of messaging designed to improve sale.

Asset Cost: the amount of which the asset was bought.

Asset: those items that can be converted into cash

Balance sheet: is a financial statement that reports a company 's assets, liabilities and shareholders equity.

Bank Statements is a summary of transactions that are processed during a set period of the month.

Buildings: used for commercial purposes e.g. warehouse

Business expenses: the cost that is related to operate a business.

Cash at bank: money held in a bank, either in current or deposit accounts.

Cash Sales: under cash sales, the buyer hands over the money up front either with cash, debit card, or other instant payment methods. The seller receives the money, and the deal is made right away.

Contracts: an agreement either written or spoken, between two or more parties that creates a legal obligation.

Credit sales: under credit sales, the buyer and seller both agrees that the buyer will receive the goods up front and pay later. The terms of payment could be days, weeks, or months depending on the agreement.

Current Assets: items that can be converted to cash within 1 year.

Current liabilities: short term obligations usually due within a year

Depreciable asset: refers to a tangible business asset that generates income for more than one reporting period (typically a year) but decreases in value over time.

Depreciation Rate: the rate provided for assets. If you provide the depreciation rate for motor vehicle at 5%, that means you assume the value should reduce by 5%.

Diminishing value method: it is believed that this type of depreciation method is significantly charged during the initial term and then lessened afterwards. This is since the charge rate is applied to the assets' net book value, which is periodically decreased following charging depreciation.

Drawings: is the amount the owner has taken out of the business for personal use.

Expenses: are cost that occur during the revenue generating process. These expenses which include a variety of things are required for the daily operation of the company.

Fixed Assets: items purchased for long term usage and can quickly be converted to cash.

Fixed cost: expenses a business incurs that remain the same regardless of the volume of goods or services provided. For example- salaries and wages, rent, insurance, and loan payments.

Invoice: an invoice is a document issued from a business to a customer once it's time for the customer to pay for the provided goods or services.

Land: commercial property used for business activities
Liabilities: debts that a business owes to creditors.

Loan: credit borrowing that can be repaid.

Long-term liabilities: debts that are due beyond 1 year.

Miscellaneous expenses: these are expenses that do not fall in the above categories. For example- repair and maintenance, and bank fees.

Motor vehicle: car, bus, or van (all used by the business).

Net Book Value: value of the asset after depreciation. (Asset cost – Depreciation).

Net profit: this is the amount calculated in the statement of profit and loss for the year.

Owners' capital: the amount the owner has invested in his/her business

Owners' Equity: amount the owner has invested in the business.

Petty cash: small amount of cash kept by a business for minor expenses.

Residual value: value of the asset is expected to be at end of useful life.

Sales: is a term used to describe the activities that lead to the selling of goods or services.

Stock/ Inventory: all items or goods held by a business for selling purposes.

Straight line method: This technique aids in calculating depreciation on assets with strong business performance. A valuable asset's depreciation over time is calculated using the straight-line depreciation formula. We can calculate when to replace the asset and budget for that expense by using this formula.

Taxes: taxes that the business is required to pay. For example- income tax and sales tax.

Useful Life: number of years the asset could remain in operation and generate revenue.

Variable cost: are expenses that vary according to how frequently a good or service is utilized. For example- electricity and water bills, delivery cost, and buying of inventory.

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