Talk Tax – Offshore Remittances

Fiji's import based businesses form an integral part of Fiji's economy. The rapid increase in offshore transactions made by individuals and businesses are directly linked to the growth in economic activities both domestically and internationally. As we look at this offshore transactions and how offshore payments have become a common trait for individuals and businesses in Fiji, it is important to understand the process that must be followed to ensure that offshore payment is made in compliance with the tax laws and requirement of Fiji. As such FRCS's surveillance emphasis is a lot on the offshore transactions and payments.

Offshore Payments above $20,000

It is important for resident individuals and businesses to understand that when a payment needs to be made to a non-resident individuals or businesses whereby the gross amount paid exceeds $20,000, there is a requirement to obtain a Tax Clearance Certificate from the Fiji Revenue & Customs Service before remitting the funds. Banks and other financial institutions will not facilitate offshore payment if the persons remitting does not have a Tax Clearance Certificate. Where the nature of payment attracts taxes then the resident individual or business will be required to pay the taxes applicable first before the Tax Clearance Certificate is issued.

Offshore Payments less than $20,000

Whilst we understand that remittances above $20,000 requires a Tax Clearance individuals and businesses must also be reminded that offshore payments below $20,000 will still be required to be directed to FRCS for stamping of documents before payment is made. This means that the Fiji Revenue & Customs Service will still be required to clear the amount remitted offshore through the proper approval stamp known as the *"Remittance Approval Stamp".* Without the proper remittance approval stamp from FRCS the payment will not be remitted by the banks.

Tax Applicable for Offshore payment of Services

Any non-resident person who derives interest, royalty, insurance premium, management fee, natural resource amount or fee for the provision of professional or other independent services from sources in Fiji is required to pay Non-Resident Withholding Tax at rates which is applicable as per their nature of transaction plus 9% VAT Reverse Charge. However, Non-Resident Withholding Tax will not be charged if the person or company receiving the payment has a permanent establishment in Fiji.

Professional Services Reimbursement

Non-Resident Withholding Tax will be charged on reimbursement for expenses charged under professional services or other independent services. Professional services or other independent services payments shall not be separated for reimbursement of accommodation, airfare, transport or allowances in order to avoid paying Non-resident Withholding Tax on the gross value of the invoice. Where the invoice includes cost for personnel to be engaged on a particular job, airfare, allowances, accommodation, overheads plus mark-up, Non-resident Withholding Tax will be applicable on the gross invoice amount. It has been noted that companies break up costing on the invoice so as to differentiate the service cost from the expenses to pay lesser taxes and in many cases these are related parties dealing with each other.

Calculation of Non-Resident Withholding Tax

Gross Up Method

Where gross amount (Invoice value) is to be remitted, then Non-Resident Withholding Tax is calculated on the grossed up value. In simple term, it would mean that the invoice value that is to be remitted is the net value plus the tax payable. When grossing up, the invoice value is divided by .85 and is applied on the grossed up amount. The Grossed – Up method grosses up the invoiced amount and the hundred per cent payment is remitted to the non-resident person. The tax burden is on the resident person to settle the Withholding Tax with the FRCS.

Calculation Example – Gross Up Method

Invoice Value in FJD	Gross Up	Withholding Tax Calculation	VAT Reverse Charge Calculation	Total Tax Payable to FRCS
$10,000	= $10,000 / 0.85 = $11,764	WHT = $11,764 x 15% = $1764	VRC = $11,764 x 9% = $1058	$2822
• Note that the Invoice value will always be converted to FJD currency first before tax payable amount is determined				

Net Off Method

Where a service provider is paid the invoice amount less the taxes, the tax calculation would be on Net off method. Where the net amount is to be remitted then Non-Resident Withholding Tax and VAT Reverse Charge are to be calculated on the invoice value with Withholding Tax to be deducted from it. Hence Tax Clearance will be prepared on the net value and a withholding tax certificate will be issued showing the amount of withholding tax paid. This withholding tax certificate will be used to claim the tax credit by the non-resident individual or non-individual. VAT Reverse Charge will have to be calculated on the Invoice value as well and since VRC will be claimed by the VAT registered person, it is not reduced from the invoice value. Where the person remitting the funds is not registered for VAT, then VAT Reverse Charge becomes its cost. The Net-off method nets of the invoiced amount and the amount remitted is net of Withholding Tax. For this method, the tax burden is on the non-resident person where the resident person withholds and remits the tax withheld to the FRCS.

Income earned out of Fiji by Non-Residents will be recorded on gross basis in respective jurisdictions and then the cost of doing business is allowed as a deduction by the relevant tax authorities. These are the simple rules and any Withholding Tax deducted at source will be credited against taxes assessed for that income return in conjunction with the domestic taxation laws.

Calculation Example – Net Off Method

Invoice Value in FJD	Withholding Tax Calculation	VAT Reverse Charge Calculation	Total Tax Payable at FRCS
$10,000	WHT = $10,000 x 15% = $1500	VRC = $10,000 x 9% = $900	$2400
• Note that the Invoice value will always be converted to FJD currency first before tax payable amount is determined			

Physical Cash Carried Offshore

Individuals who wish to carry physical cash outside of Fiji as a check in luggage at our airports are entitled to a maximum amount of FJ$10,000. Any amount in excess of FJ$10,000 needs to be declared at our Customs counters at the airports before departure. It is important that the income that is carried outside of Fiji is correctly disclosed to Customs at the point before departure to avoid apprehension of cash and unnecessary delays. Individuals must also ensure that proper source documents of the income they wish to carry physically on board the airplane are provided at the time of declaration. The Fiji Revenue & Customs Service will ensure that individuals make proper declarations and that respective taxes have been paid prior to departure.

The Fiji Revenue & Customs Service will continue its surveillance role to ensure that all individuals and non-individuals making offshore remittances comply with the tax requirements. Everyone is responsible to correctly declare to FRCS any offshore remittances for proper clearance. As such where taxes are applicable then taxes must be settled first before remittance. The Fiji Revenue & Customs Service urges individuals and businesses that remit money offshore to come on board and be tax compliant as failure to voluntary compliance will result in penalties.