



**FIJI REVENUE AND
CUSTOMS SERVICE**

Tackling the Shadow Economy

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Agenda:

1. Global Overview
2. Fiji Overview
3. Shadow Economy – thoughts
4. Fiji : Challenges & Counter Strategies
5. Forward strategy



Global Overview:

	Average %	Highest %	Country	Lowest %	Country
World	27.78	67	Zimbabwe	6.94	Switzerland
Asia	25.24	53.07	Georgia	8.19	Japan
Africa	35.38	67	Zimbabwe	19.23	Mauritius
Australasia	23.16	35.16	PNG	8.1	Australia

Shadow economy, percent of GDP, 2015

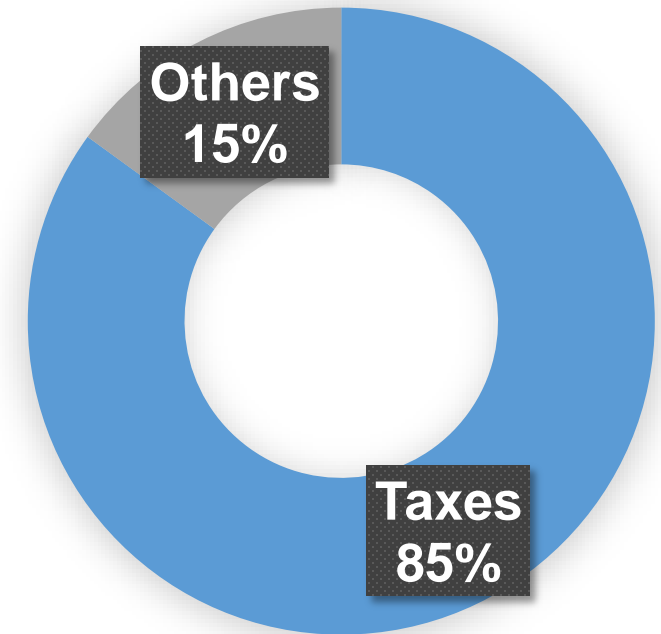
(percent, Source: Medina and Schneider (2018), TheGlobalEconomy.com)



Fiji Overview:

- Taxes are Primary Government Revenue
- Shadow Economy: 1/3 in 2007 of the Fijian Economy (*World Bank Study*); 1/4 in 2015
- \$2.8 billion untaxed money in circulation = Approx.. 25% Tax Revenue.
- Geography: 331 Islands/18,333km² & EEZ of 1.29M km²

Tax contribution to Government Expenditure



Shadow Economy: Some thoughts...

- High taxes and social security contributions and heavy regulation.
- Resources not being used in the official economy.
- Governments try to encourage firms to move out of the shadow economy by improving public institutions.
- Fostering stronger participation in government decision-making, expanding elements of direct democracy, and eliminating corruption.
- Measurement difficulties because no clear definition (Legal / Illegal). This Worsens fiscal deficits and reduces infrastructure investments, thus reduces welfare and economic growth.
- Undermines state institutions, leading to more crime and less support for institutions, ultimately threatening economic and political development.



Shadow Economy: Some thoughts...

- Making compliance hard to avoid – voluntary compliance, ease of doing business
- Utilization of Technology Enablers
- De-incentivize avoidance/evasion based on taxes – lower rate / broad-based
- Financial Inclusion programs and incentives – attract into formal sector
- Anti-Corruption Initiatives / Whistle Blower Policy
- Enhancing collaborations – nationally, regionally and internationally
- Public Private Partnerships / Strong Consumer Advocacy
- Good Governance and Transparency
- Political Will



Challenges & Counter Strategies

Challenges	Counter Strategies
1. Undocumented Sales / Incomes	<ul style="list-style-type: none"> • Established a dedicated SME Support Unit • Electronic Fiscal Device – Free App for SME • Financial Literacy programs with partners • Third Party information – Banks, Property Registry, Transport Authority, Superannuation, etc.
2. No receipting culture	<ul style="list-style-type: none"> • Regulations – VMS EFD • Electronic Fiscal Device – Free App for SME • Whistle Blower Policy
3. Domestic Transfer Pricing <ul style="list-style-type: none"> • Manipulation of assets • Manipulation of invoicing • Income splitting 	<ul style="list-style-type: none"> • Whistle blower policy • Risk Profiling & Financial Intelligence team established • Name & shame



Challenges & Counter Strategies

Challenges	Counter Strategies
4. Double Invoicing <ul style="list-style-type: none">• Set up of offshore accounts• Misclassification of Imports	<ul style="list-style-type: none">• Information sharing – DTAs, TIEA, etc• New Tax Information System - prefilled returns
5. Voluntarily Compliance	<ul style="list-style-type: none">• Self Assessment regime• Compliance Improvement Strategy – risk Approach• Taxpayer Education & Tax Interpretation
6. Consumer / Population Participation	<ul style="list-style-type: none">• Education and Awareness• Consumer Awards Program• Receipt Verifier App



Forward Strategy:

2019 – 2021 CIS Segments

1. Customer Service
2. Large & International
3. Tourism
4. Transport
5. Construction
6. VAT
7. Customs Revenue
8. Customs Compliance
9. Border Security

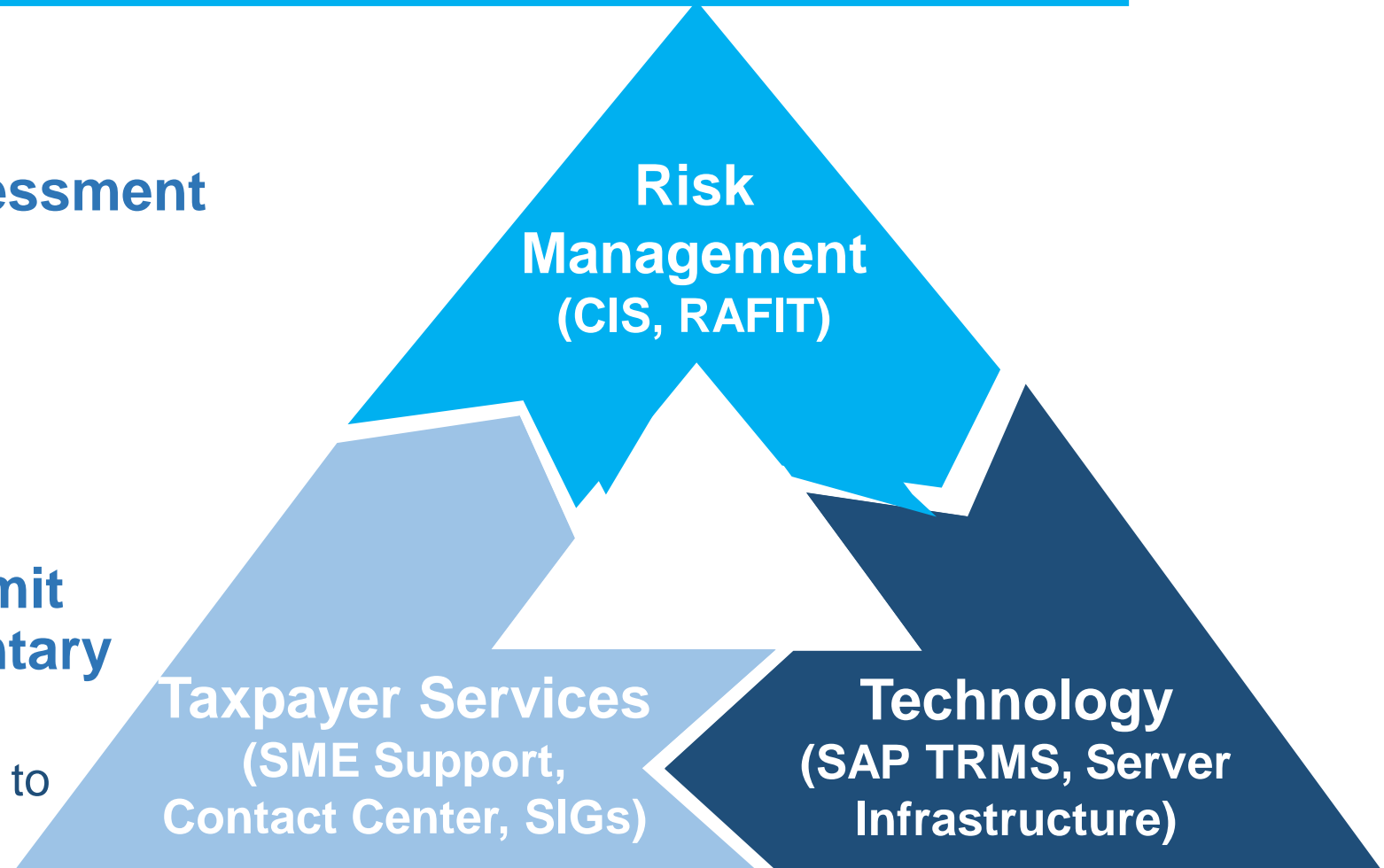


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Forward Strategy:

Business Operating Model

- **Cornerstones of a self-assessment environment**
 - Legal framework
 - Technology platform
 - Advisory services
 - Managing risk
- **Taxpayer obligation to submit accurate information (voluntary compliance)**
 - Online platform makes it easier to comply, reduces penalty risks





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Vinaka – Thank You!

