



Compliance Improvement Strategy

(CIS) 2017 - 2018

VISION STATEMENT

A World Class Revenue Authority Delivering
Excellence in Revenue Collection, Border
Protection, Trade and Travel Facilitation.

MISSION STATEMENT

Helping Fiji Grow As A Leading Contributor
And Funder Of Sustainable Economic,
Security And Social Initiatives.

CORE VALUES

One Organization
Integrity
Leadership
Valuing Employees
Results Focus
Partnership Development

ACRONYMS / ABBREVIATIONS

CEC	Customer Enquiry Centre
CIS	Compliance Improvement Strategies
EMS	Employer Monthly Summary
FFIU	Fiji Financial Intelligence Unit
FNPF	Fiji National Provident Fund
FRCS	Fiji Revenue & Customs Services
HWIs	High Wealth Individuals
IMF	International Monetary Fund
MOU	Memorandum of Understanding
PAYE	Pay as You Earn
RAPT	Risk Assessment & Planning Team
REALB	Real Estate Licensing Board
RDF	Risk Differentiation Framework
SMEs	Small and Medium Enterprises
SMS	Short Message Service
TALP	Tax Agent Lodgment Program
TCC	Tax Compliance Certificate
VAT	Value Added Tax

FOREWORD

I am delighted to present you the 2017 – 2018 Compliance Improvement Strategy which outlines a road map for us as an organization to improve our customer service delivery and consequently build a healthier community and a stronger Fijian economy.

The process of formulating the Compliance Improvement Strategy cascades off our Strategic Plan that has enabled us to take stock of past successes and failures to determine our future goals. The four key strategic drivers to achieve our strategic goals are People, Technology, Legislation and Partnership.

The 2017 – 2018 Compliance Improvement Strategy is a testament of our resolve to achieve results through our core functions as well as our duty to engage stakeholders and the community to fulfill their civic duties by paying their taxes. As an organization we aspire to better serve our customers and be responsive to the unprecedented challenges of the 21st century. Our main focus this year is VAT compliance as well as those who under-declare or do not declare their correct wealth. We have also shifted our focus on the high wealth individuals, who have a number of assets both locally and off-shore and are directors of various companies.

We have to ensure that compliance by the wealthiest individuals improves, so that the public can see that the administration is fair and that no individual, no matter how wealthy or well-connected is above the law.

Similarly, people should understand that VAT is trust money and once collected by the businesses, should be remitted to FRCS on time. This basically means VAT Registered Persons are only agents of the government who collect and remit VAT to FRCS. However, if VAT is only collected and not remitted, businesses are in fact stealing from the public which is a serious offence. We have noted in the past that businesses whose turnover is more than \$100,000 a year, have not registered for VAT. Inflated refund claims, falsifying of invoices and claiming from unregistered suppliers are some of the key issues that we continuously discover for VAT returns.

I am confident that with the collaboration of our talented staff and teams together in partnership with our Stakeholders that the goals we aspire to achieve in time will translate into milestones which we can all be proud of.

Sincerely,



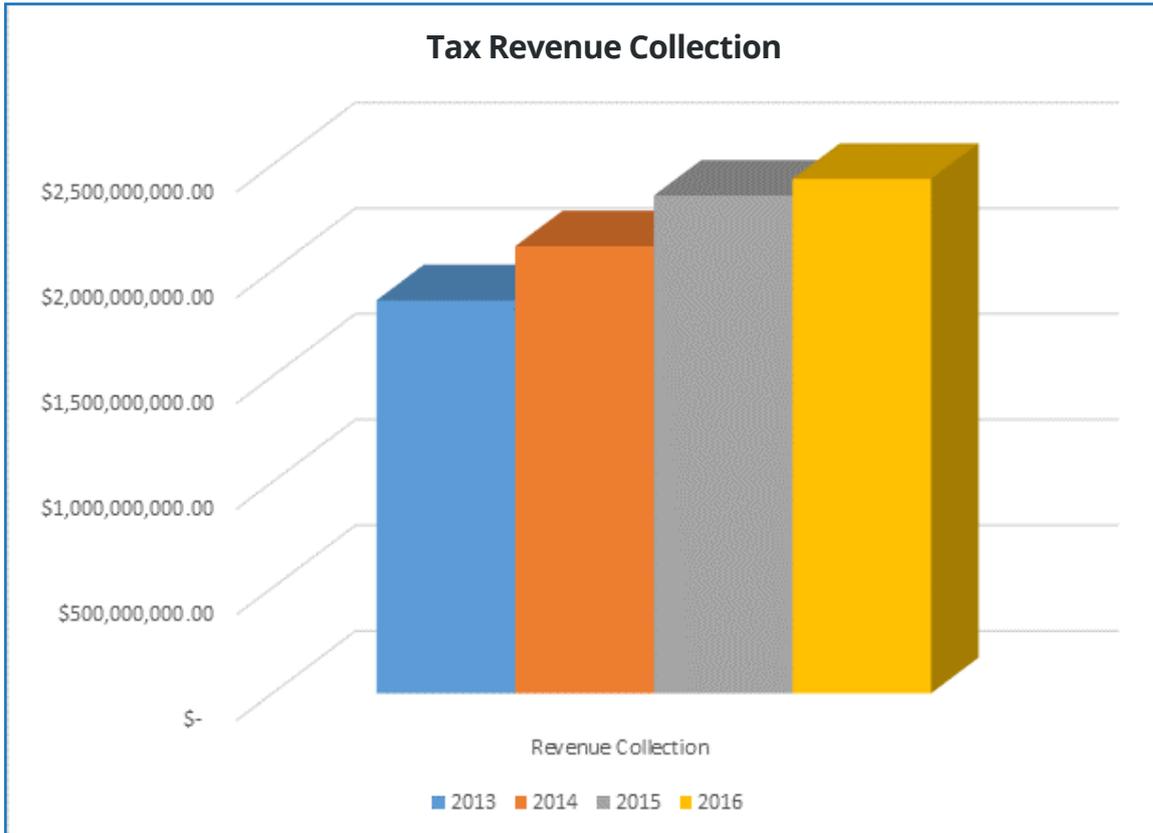
Mr. Visvanath Das
Chief Executive Officer

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INTRODUCTION

Fiji Revenue & Customs Service (FRCS) as a Tax and Revenue collecting agent for government, collects taxes in accordance with the law. Following the introduction of CIS 2016/2017, FRCS has collected a considerable amount of taxes through voluntary compliance, bearing in mind that non-compliance is kept to a minimum.



The key objective of CIS 2017/2018 is to take more proactive measures to enhance voluntary compliance. Tax obligations placed on a customer is going to vary from one tax type to another and from one jurisdiction to the next. However, the four major broad categories of customer obligations remain same for all customers, irrespective of jurisdiction, these are:



Registration in the system



Timely filing or lodgment of tax returns



Reporting of complete and accurate information



Payment of taxes on time

The CIS 2017/2018 will promote transparent and consistent treatment by FRCS to enhance customer confidence of the self-assessment and voluntary compliance environment.

The Compliance Strategies for this year will incorporate an additional three strategies for Customs – All Traders, High Wealth Individuals (HWI) and Value Added Tax (VAT). The following is the list of strategies for CIS 2017/2018:

- Customer Services
- Large & International customers
- Construction industry
- Real Estate industry
- Supermarket industry
- High Wealth Individuals (HWI)
- Value Added Tax (VAT)
- Customs – All Traders

The strategies in CIS 2017/2018 will enable FRCS to achieve its objective of serving 'Traders, Travelers and Taxpayers' towards committing to their tax obligations and enhancing Voluntary Compliance.

OUR JOURNEY

Customer education is the bridge, linking FRCS to its stakeholders and is the key tool to transform tax culture in Fiji. Through the recommendations of the CIS 2016, we have implemented a number of new initiatives in which FRCS has better access to its customers. The list of initiatives undertaken by FRCS are as follows:

Improved Tax Services



Customer Call Centre

In order to improve customer service, FRCS has established a call center where customers can enquire about their tax obligation from 7am-6pm by our experienced staff.



JEDI Team

A team has been set up to issue FRCS/FNPF joint card to assist customers. Jedi team also visit remote areas to register customers.



Establishment of Outbound Call Centre

New Registrants are reminded of their tax obligations before the returns are due and are also assisted on their return filing by the outbound call centre.



E-Payment of Taxes

Customers can now pay their taxes online. This reduces queuing at the Customer Service Centre for tax payment. This ease of payment enables customers to access the internet at their own leisure time to pay their taxes accordingly.



Data Cleansing Project

FRCS is currently updating all Taxpayer Registration Information. This initiative is undertaken in line with FRCS's strategy to modernize its processes and systems to provide efficient taxpayer services that will enable online lodgments, payments, real-time updates and access to tax information. This will be made possible in future with the introduction of a robust Online Taxpayer Portal.



Introduction of New Tax Forms

This initiative enables customers to have more user-friendly service while completing the relevant tax forms. The relevant sections are quoted from the tax legislations for any tax implications and penalties levied on the Notice of Assessment.



PAYE EMS Lodgment

Since PAYE has become a final and self-assessed tax, employees are not required to lodge their yearly income tax returns. The final responsibility has now shifted to the Employers who lodge an Employers Monthly Summary (EMS) that specifies the correct amount of PAYE deducted from an employee's salary and remitted to FRCS.

Public Education Programme



Tax Education Programs

Our Public Relations and Marketing team are continuously providing awareness to the general public on their tax obligations. This includes industry awareness, rural community visits, media talk back shows. A recent workshop to all construction industry enabled FRCS to better provide service to general contractors, sub-contractors, plumbers and electricians.



Social Media

FRCS is also using Facebook and YouTube to upload public notices and other tax information to create wide public awareness. In addition, Facebook profiling for 'Buying and Selling' is also being diligently monitored for recurring sales to ensure that qualifying customers are registered for tax and complying with the tax obligations.



Partnership

As part of its public education campaign, FRCS has partnered with various associations such as PITAA, OCO, FIA. Through this partnership, it is able to conduct events such as seminars, workshops and business clinics. At these events, taxpayers' rights and responsibilities are made clear and the participants are familiarized with the various forms for filing taxes and made aware of any changes to tax policies.

Enforcement



Use of Third Party Information

FRCS has signed MOU's with various stakeholders to extract third party data. Currently FRCS has MOU's with Fiji Immigration Department, Fiji Police Force, FNPF, Registrar of Companies, Land Transport Authority, and other stakeholders. This enables FRCS to use data whenever required to conduct audit and investigations on fraudulent taxpayers. A Whistle Blower policy is also in place to enable customers to report FRCS any fraudulent activities been carried out and receive a commission of up to 10% of the amount recovered in taxes.



Audit and Investigation (Integrated Tax & Customs)

Black Economy profiling is now on the move! Businesses are making huge profits and not declaring their correct income to FRCS. These businesses generally do not issue receipts to customers and thus it is not recorded anywhere. Unfortunately, most of us do not demand a receipt from these SMEs. All high risk customers are referred to Audit & Compliance for thorough audit of customers. It is time that a door to door project is undertaken to track these customers, who are evading huge taxes.



Prosecution

All fraudulent cases are referred for investigation and legal prosecution. Currently FRCS is also publishing the fraudulent activities been carried out to make the public aware of the consequences and use of full brunt of laws for non-compliant behaviours.



Door to Door Project

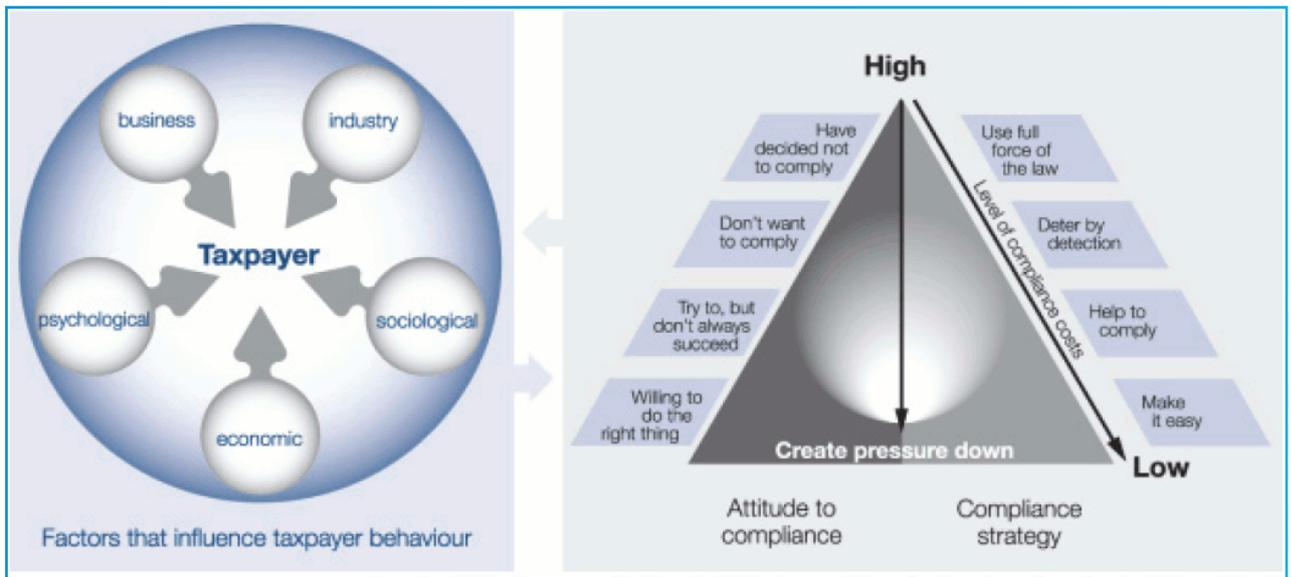
This project is conducted to detect non-registration, non-issuance of tax receipts to consumers and identification of tax-evaders. Door-to-door visits in major cities and towns around Viti Levu and Vanua Levu. Based on interviews and records profiled so far, the level of non-compliance over various tax issues are as follows- Suva (Central) approximately 36 % and Lautoka (Western) – approximately 42%. In total 22 cases were referred for further investigation and possible prosecution.

UNDERSTANDING COMPLIANCE

The strategic objective of the Compliance Improvement Strategy is to increase voluntary compliance whilst at the same time lowering compliance costs for taxpayers. Therefore, FRCS intends to influence all customers to comply with their tax obligations. The following compliance areas and corresponding risks have been identified through our risk management process:

Compliance Areas	Compliance Risks
Registration	New & Existing businesses fail to register
Filing	Failure to file tax returns on time
Payment	Failure to pay taxes on time
Reporting	Failure to accurately declare income

The willingness and behavior of a customer to meet tax obligations has a major impact on compliance levels. In order to achieve the optimal level of compliance, it is necessary to pay attention to customer behavior and the methods of influencing behavior. This will assist the tax administration in choosing the most efficient (low costs) and effective (best outcome) way to treat such behaviors. This is better explained in the OECD Compliance pyramid and behavior model shown below: -



Moreover, according to the objective of voluntary compliance, it is important to determine the root cause of non-compliance. The strategies identified in the CIS 2017/2018 will enable FRCS to better profile, facilitate, identify and guide customers towards voluntary compliance.

FRCS is now using internal and external data to target non-compliance. Below are some of the tactics we employ:

- a) A High Wealth Individual (HWI) database is currently being compiled. This will allow FRCS to place more emphasis on understanding the complexity of high net worth individuals' tax affairs, the amounts of tax revenue potentially at stake through aggressive tax planning and the effect of the compliance behavior on the overall integrity of the tax system
- b) Data Matching through ASYCUDA World for customs related transactions.
- c) Extraction of country trade statistics online via IMF website. Access to Macroeconomic & Financial Data (Direction of Trade Statistics (DOTS).
- d) Implementation of SMS platform for new registrants, missing returns and payables
- e) Analysis of Data from 3rd parties such as Fiji Electricity Authority, Land Transport Authority, Car Dealers, Municipal Councils and Insurance Companies

Whilst examining these factors, we are determined to fully understand the underlying issues driving non-compliant behavior. This will allow us to remedy the problems rather than focus on responding to their symptoms. As a result, we will improve services, develop sustainable increases in revenue and foster a well-functioning and fair business environment.

OUR APPROACH TO IMPROVING COMPLIANCE

In many instances, aggressive Tax Planning and Tax Evasion are being proactively practiced as a normal part of doing business. Revenue Administrations Strategies to improve tax compliance differ across countries and regions. One size does not fit all emphasizing that compliance improvement strategies need to be tailored to each country's circumstances. To address these issues, FRCS has put measures in place to engage customers in a more Pro-Active approach highlighting that non-compliance will not be tolerated whilst at the same time developing a framework that makes it easy for customers to comply.

a) Measures for Facilitating Compliance

A Risk management approach to compliance increases our efforts to differentiate our engagement with large, medium and small customers, based on the relative likelihood of non-compliance and the consequences of any potential non-compliance. This enables compliance resources to be used in an efficient and effective ways, for example, if a customer is in a lower risk category, FRCS support services assist them to comply and the lower intensity of our compliance activities reduces compliance costs.

Below are some of the compliance activities that will be undertaken by FRCS:

- PAYE (Pay as you earn) – Site inspections to be carried out to ensure workers' pay PAYE taxes and that EMS monthly returns are accurate and filed on time.
- Public awareness of tax obligations by FRCS's Public Relations Team
- Guidelines available on the website for new registrants on their tax obligations
- Workshops for construction companies enhance their registrations and filing obligations
- Lodgment Enforcement Unit (LEU) to visit customers who are non-filers and de-register where applicable
- Talk Tax articles available on website to update on the latest tax issues and changes in policies
- MOUs with various entities to ease the release of relevant third party information in a timely manner
- FRCS officials to attend Fiji Institute of Accountants workshops and conferences to communicate better with tax agents, stakeholders and other associated parties
- TV advertisement and media release for tax obligations
- Awareness sessions with continuous VAT Refund and low VAT payable with high turnover
- VAT Monitoring System (VMS) to be implemented by December, 2017
- Site inspection & surveillance for new registrants/suspicious entities
- Awareness in the media for customers to demand receipts/invoices
- Publish names of periodic non-lodgers in the media

b) Measures for Dealing with Non-Compliance

The main tool for detecting non-compliance is analyzing and matching information reported to us by customers and third parties, such as financial institutions and regulatory agencies. FRCS's Intelligence Network comes in the form of engagement in the community via associations, network of informants, the Whistle-Blower policy and foreign partner governments.

FRCS is also expanding its information matching capabilities and exploring MOU opportunities with related parties to extract useful information for risk management profiling and tax purposes. More intensive actions using the full force of the law, including investigations and audits, issuing final notices, imposing penalties and taking legal actions, such as an administrative summons, garnishee, and prosecution of tax evaders.

A recent survey by various sections of FRCS in addressing non-compliance is reflected below:

- Door to Door Project conducted to detect non-registration and non-issuance of a tax receipt to consumers
- Fiji Financial Intelligence Unit (FFIU) to disseminate confidential cross border information for audit cases involving tax evasion.
- Sending Vodafone SMS messages to remind customers of their tax obligations
- Blast email reminders for monthly lodgment of EMS
- Facebook Profiling for recurring sales
- RDF profiled customers for Audit & Compliance
- High Wealth Individual database being built
- Third-party data extraction from other related entities
- Pilot project on VAT Monitoring System (VMS)
- Audit of accounting systems, especially with large taxpayers, instead of individual transaction checking
- Integrated Audit (IT, VAT, Customs VAT)- FITS & ASYCUDA World data matching

Furthermore, CIS 2017/2018, our approach to improving compliance focuses on moving more towards Stakeholder Engagement Forums and Communication Strategies to assist customers and inform stakeholders on the importance of filing tax returns correctly and on time. The sectors that were part of these stakeholder forums are Construction, Tourism, Duty Free, Supermarkets, Hardware companies, Real Estate Sector and Retailers.

Moreover, FRCS is now actively engaging with its stakeholders to educate and assist them on their tax obligations. Apart from stakeholder forums, FRCS is now proactively engaging and visiting business houses to educate them on their tax obligation and at the same time assisting them to file their tax returns correctly and on time. The proactive engagement is also complimented with tools such as an online platform where customers can update their details and raise queries from the comfort of their homes via the **MySay** and **MyInfo** portals on FRCS website.

UNDERSTANDING OUR COMPLIANCE STRATEGIES

The Compliance Strategies remain the same as launched last year but with an inclusion of Customs – All Traders, High Wealth Individuals (HWI) and Value Added Tax (VAT) is part of CIS 2017/2018:

- Customer services
- Large & International customers
- Construction industry
- Real Estate industry
- Supermarket industry
- High Wealth Individuals (HWI)
- Value Added Tax (VAT)
- Customs – All Traders

Each strategy follows the same template and is comprised of seven panels of information. These panels are:

1. Strategy Overview – A brief narrative describing the strategy.
2. Segment Profile – The key characteristics of the customers the strategy applies to.
3. Key Compliance Risks – The risks that we are focused on for the year.
4. Risk Treatments – The service and enforcement-related actions we will take.
5. Compliance Indicators – Metrics we will monitor to ensure a strategy's performance.
6. Workflows – Resources reserved to support a strategy for the year.
7. Capacity Development – Internal activities to build necessary capabilities.

The strategies for each sector/industry is accompanied by an action/work plan together with a status report, which basically summarizes the One-Page Compliance Strategy. At a regular interval, the compliance indicators in each strategy (panel 5) will be reviewed by the FRCS Compliance Council which is made up of Executive members of FRCS and supported by the Risk Assessment and Planning team who regularly update quarterly on compliance activities undertaken by FRCS.

In extending our risk management approach, FRCS has also included Customs- for All Traders, High Wealth Individuals (HWIs) and Value Added Tax (VAT) in the Compliance Improvement Strategy for 2017/2018. This enables us to integrate data, internal and third party information to profile traders, travelers and taxpayers under one umbrella vastly improving our risk management processes.

There is no standard definition of HWI, but it is generally understood to mean individuals who have accumulated net worth to the level that places them at the very top of the wealth scale in a country, or globally. Net worth or wealth is defined as the value of financial assets plus real assets (land and buildings) owned by individuals and their immediate families, less their liabilities.

In a similar manner, Value Added Tax (VAT) is a tax on spending that is levied on the supply of goods and services in Fiji at the rate of 9%. The VAT Decree requires most businesses and organizations involved in taxable activities in Fiji to:

- Register for VAT with FRCS within 21 days of becoming so liable;
- Charge and collect 9% VAT applicable to the range of goods and services they supply
- Lodge their VAT Returns and pay the VAT collected to FRCS when due

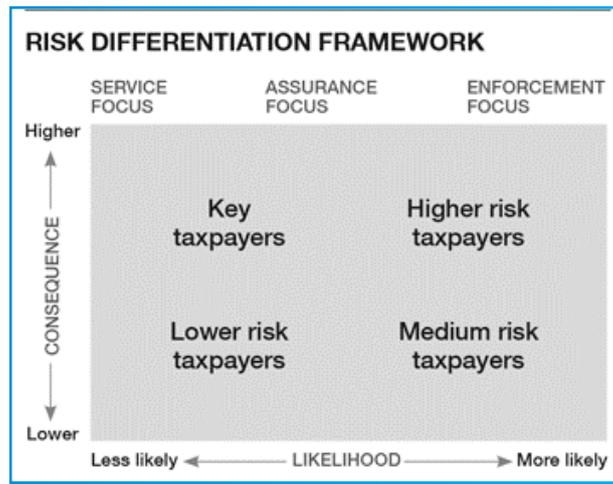
An analysis of VAT customers for the past 3 years shows the following:

- 16% lodge nil returns
- 22% have refund claims
- 10% pay only in the range of \$0-\$1000

This analysis provides our office with an insight on which customers to focus on. Improving voluntary compliance shall be our first option, however deliberate attempt to avoid/evade tax will be subject to more stringent measures.

THE RISK DIFFERENTIATION FRAMEWORK [RDF]

The RDF is a well implemented strategy that was introduced in the 2016 CIS. All customers based on their industry and segment type were placed in four different quadrants. These were high, medium, low risk and key customers. A brief of each quadrant is discussed below.



Higher Risk Customers

FRCS will assign more resources into these customers for continuous reviews. Reasons being these customers tend to know the tax legislations very well and are involved in tax avoidance / evasion tactics. FRCS will engage in comprehensive audit and other intensive risk based analysis. For higher risk customers, FRCS will use formal powers of information gathering if customers are not transparent in their dealings with us.

Medium Risk Customers

FRCS will undertake more targeted activities for these customers to deal with compliance issues. These activities are more likely to be reviews and audits. Customers may be contacted to seek assurance that a particular transaction has been treated correctly. These customers may fall into the high-risk category if an adequate response is not provided in a timely manner.

Lower Risk Customers

Customers in this category will be provided more tax education and awareness on compliance issues. These may include filing returns on time, correct declaration of income earned, paying taxes on time and an update on new policies implemented.

Key Customers

These customers generally file their returns and pay their taxes on time. Based on their total turnover, a fair amount of tax is also paid. Customers are expected to fully disclose their income and discuss with us any debatable issues as they arise. FRCS will assign the necessary resources to ensure a good working relationship and increase our understanding of these entities.

RDF Feedback

A total of 1169 high risk customers from all industries were identified for the 2013 and 2014 tax years. From these, 486 customers were fully audited for Income Tax and VAT. Ultimately, this generated a total cash collection of over \$18m which shows that our risk profiling systems are developing and improving as we gain more experience in this area. FRCS Audit Team is currently investigating the remaining high risk cases with substantial additional taxes in the pipeline. In most cases, high risk customers are complex in nature and may take a lengthy period to fully complete the audit. FRCS's Risk Assessment & Planning Team is now in the process of identifying high risk customers for the 2015 tax year.

WORKING WITH YOU TO GROW FIJI

FRCS will be launching the CIS 2017/2018 by the end of October, 2017. This will enable FRCS to better gauge the compliance level and boost voluntary compliance. Since the new financial year ending is as at 31st July, it is time that strategies are set before the new financial year, to achieve the ultimate level of compliance and enhance revenue collection in Fiji.

To improve voluntary compliance and tax awareness FRCS will undertake the following activities through our Public Relations and Marketing team:

Advertisement	Particulars
Television	Media Coverage atleast once a week
Newspaper	Media Coverage atleast once a week
FRCS Website	Public Notice, Press Release, Video Tutorials, TV Ads. Banner rotation on a monthly basis (latest updates)
Tax Talk Articles	1 article per month
Facebook page	Public Notices, Press Releases, TV Ads, Video Tutorials
YouTube Channel	Public Notices, TV Ads & Video Tutorials
Radio Talk Back Shows	Partnership with Ministry of Information
Ads in Customer Enquiry Centre	Use of TVs in CEC for awareness

FRCS looks forward to all readers to follow the compliance strategies and indicators to see the percentage of customers who are compliant and the level of non-compliance in Fiji. Let's hold hands and help Fiji Grow, for the betterment of all Fijians.

COMPLIANCE STRATEGIES FOR 2017/2018

In the remainder of this document, you will find our annual strategies for:

1. Customer Services
2. Large Customers
3. Construction
4. Real Estate
5. Supermarket
6. High Wealth Individuals (HWI)
7. Value Added Tax (VAT)
8. Customs (All Traders)

Compliance Strategy: Customer Services

<p>1. Strategy Overview:</p>	<p>The key Compliance Risk for Customers Services is Registration and Filing. Interventions are ongoing in all districts of the country. FRCS is proactively deterring non-filers. A team has been setup to perform outbound calls to new registrants and advise on their tax obligations. Lodgment Enforcement Unit (LEU) has been monitoring all the returns outstanding and calling the relevant customers to lodge on time. Moving forward, an SMS platform has been acquired for advising new registrants on their tax obligations. The use of blast emails to remind customers on their outstanding payments. Regular Tax Agents workshop shall continue to update on new policy changes and improves our relationship with other stakeholders.</p>	
<p>2. Segment Profile</p>	<p>3. Key Compliance Risks</p>	<p>4. Risk Treatments</p>
<p>2.0 Criteria for inclusion: All customers</p> <p>2.1 Number / type of customers: <i>*Active List</i></p> <p>B-Business: 43196 C-Companies: 10386 Trust & Estate: 5313 Partnership: 4009 VAT: 16311 Salary: 341251</p> <p>2.2 Returns filed: B-Business: 22303 C-Companies: 5648 Trust & Estate: 800 Partnership: 600 VAT: 9217</p> <p><i>* Filing Data for 2015</i></p>	<p>3.1 Registration risk: High</p> <ul style="list-style-type: none"> Customers voluntarily register for VAT with the idea to claim refunds Duplicate registration Customers doing business but not registered, e.g. LNN, Form S Incorrect registration for all tax types <p>3.2 Filing risk: High</p> <ul style="list-style-type: none"> Customers do not fully understand their filing obligations A significant number of new registrants do not file as required A significant number of existing customers are non and stop-filers The Tax Agent Lodgment Program (TALP) prompts late-filing The penalty regime does not deter non-, stop- and late-filers Most Customers file continuous Nil returns or below threshold <p>3.3 Payment risk: Medium</p> <ul style="list-style-type: none"> The limited use of E-Payments prompts late payment The use of cheques that may be dishonored prompts noncompliance Missing information for online payments <p>3.4 Underreporting risk: N/A</p> <ul style="list-style-type: none"> Underreporting risks are accounted for in accompanying strategies 	<p>4.1 Measures for facilitating compliance (service)</p> <ul style="list-style-type: none"> Establish a Customer Services Committee to improve capabilities New IT System to enhance registration process & implement online registration, filing and payment SMS messages for non-filers and non-payment All dormant companies to be inspected and de-registered Encourage more online payments through awareness Online payment portals to be enhanced De-register duplicate TINs FRCS website/ Facebook/ Twitter page to update all latest circulars and notices <p>4.2 Measures for dealing with non-compliance (enforcement)</p> <ul style="list-style-type: none"> Proactively manage filing extensions under TALP LEU to visit customers having returns outstanding To develop partnership with other agencies to boost the use of tax compliance certificate (TCC) e.g. renewal of business license To investigate and prosecute continuous non-filers Target referrals for tax prosecutions
	<p>5. Compliance Indicators</p>	<p>6. Workflows</p>
<p>7. Capacity Development</p>	<p>Information Systems, Data Management & Analytics Develop capability for electronic registration, filing and payment, SMS messages and use of bulk, 3rd party data.</p> <p>Organization & Management Realign and fully resource a Customer Services Unit</p> <p>Administrative Tools Obtain new MOUs for access to 3rd party data</p>	

Compliance Strategy: Large & International Customers

1. Strategy Overview: Large Customers are generally compliant with their tax matters; however, they tend to use smart tactics to avoid tax. Customers in this segment are utilizing the services of professional consultants to implement aggressive tax planning and evasion schemes. The strategy to improve compliance proposes more severe punishment in terms of thorough investigations and criminal prosecutions.

2. Segment Profile	3. Key Compliance Risks	4. Risk Treatments																																															
<p>2.0 Criteria for inclusion: Customers with annual sales greater than \$15 million FJD.</p> <p>2.1 Amount/type of tax revenue:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Tax Type</th> <th>Revenue</th> <th>Total Rev.</th> </tr> </thead> <tbody> <tr><td>Income Tax</td><td>\$370.2m</td><td>\$717.8m</td></tr> <tr><td>VAT</td><td>\$236.1m</td><td>\$500.7m</td></tr> <tr><td>STT</td><td>\$49.7m</td><td>\$121.4m</td></tr> <tr><td>CGT</td><td>\$1.7m</td><td>\$23.1m</td></tr> <tr><td>TL</td><td>\$1.2m</td><td>\$1.2m</td></tr> <tr><td>CCL</td><td>\$3.5m</td><td>\$3.5m</td></tr> <tr><td>SRT</td><td>\$6.5m</td><td>\$11m</td></tr> <tr><td>FBT</td><td>\$11.6m</td><td>\$21.2m</td></tr> <tr><td>Third Party</td><td>\$1.8m</td><td>\$1.8m</td></tr> <tr><td>Stamp Duty</td><td>\$16.5m</td><td>\$78m</td></tr> <tr><td>EL</td><td>\$27.6m</td><td>\$67.7m</td></tr> <tr><td>Customs (Fiscal+IEX+VAT+LVL+LPF)</td><td>\$248m</td><td>\$891m</td></tr> </tbody> </table> <p><i>*Based on 2016 Receipts Data</i></p> <p>Total Tax Collection Represents: IT – 52% VAT – 47%</p> <p>2.2 Number/type of customers: 205 <i>*Active List</i></p> <table style="width: 100%;"> <tr><td>Sole Trader</td><td>– 1</td></tr> <tr><td>Partnership</td><td>– 1</td></tr> <tr><td>Companies</td><td>– 187</td></tr> <tr><td>Statutory</td><td>– 16</td></tr> </table>	Tax Type	Revenue	Total Rev.	Income Tax	\$370.2m	\$717.8m	VAT	\$236.1m	\$500.7m	STT	\$49.7m	\$121.4m	CGT	\$1.7m	\$23.1m	TL	\$1.2m	\$1.2m	CCL	\$3.5m	\$3.5m	SRT	\$6.5m	\$11m	FBT	\$11.6m	\$21.2m	Third Party	\$1.8m	\$1.8m	Stamp Duty	\$16.5m	\$78m	EL	\$27.6m	\$67.7m	Customs (Fiscal+IEX+VAT+LVL+LPF)	\$248m	\$891m	Sole Trader	– 1	Partnership	– 1	Companies	– 187	Statutory	– 16	<p>3.1 Registration risk: Low</p> <ul style="list-style-type: none"> The probability of a registration risk is low <p>3.2 Filing risk: Low</p> <ul style="list-style-type: none"> Large customers generally file returns on time. IT (2%) – 4 Customers with missing IT returns VAT (7%) – 14 Customers with missing VAT returns <p>3.3 Payment risk: Medium</p> <ul style="list-style-type: none"> IT (1%) – 2 Customers with IT owing, \$505,886 total arrears VAT (3%) – 5 Customers with VAT owing, \$18.6m total arrears <p>3.4 Underreporting risk: High</p> <ul style="list-style-type: none"> Aggressive tax planning is encouraged by some tax preparers and accountants Failure to withhold, report and remit withholding taxes Non-declaration of overseas income and assets Cross-border arrangements in particular where related parties are not dealing at arm's length Profit shift done through shifting a function to a low tax jurisdiction Double Invoicing – separate invoices for Customs & VAT Over/Under Valuation of import commodities 	<p>4.1 Measures for facilitating compliance (service)</p> <ul style="list-style-type: none"> Awareness on transfer pricing guideline on arm's length transactions & updated on FRCS website Awareness on applicability of Withholding Taxes Extended Amnesty for declaration of foreign assets and income Stakeholder engagements with associations highlighting non-compliance issues Awareness on consequences of double invoicing and under/over valuation of imports <p>4.2 Measures for dealing with non-compliance (enforcement)</p> <ul style="list-style-type: none"> Thorough Investigations and referral for tax prosecution Develop capability to benchmark high risk industries Acquire a transfer pricing index database Thorough audits and investigation to be done for prosecution Acquire and exploit new third-party data: Tax and Customs – cross border arrangement HWI database to identify high risk cases Late Payment and lodgment penalties to be strictly enforced Joint Audit by Customs & Tax (IT, VAT, PAYE, WHT etc.) Publishing names of frequent defaulters / fraudsters in the media using the Name & Shame legislation
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7. Capacity Development	<p>Information Systems, Data Management & Analytics Develop capability to exploit bulk, 3rd party data</p> <p>Administrative Tools Obtain MOUs with external stakeholders to acquire key, bulk data</p>	<p>Organization & Management Create a new public rulings unit</p> <p>Staff Development Acquire training and assistance on managing complex industries and Transfer pricing cases</p>																																															

Compliance Strategy: Construction Industry

1. Strategy Overview:	The construction industry has a major risk in registration & filing for sub-contractors. Data from third parties are acquired for big projects to identify all parties involved. This is primarily accomplished by the PAYE Team whilst on site visit to various construction sites. The PAYE team has also designed a specific checklist only for construction companies for data capture. The medium risk customers in this sector are given compliance letters to deter them from falling into the higher risk category. The strategy for improvement is proactive measures by public relations team, whereby a list of 5-10 individual contractors are invited to an evening session to discuss on their tax obligations.
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2. Segment Profile	3. Key Compliance Risks	4. Risk Treatments																																																			
<p>2.1 Amount/type of tax revenue:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Tax Type</th> <th>Revenue</th> <th>Total Rev.</th> </tr> </thead> <tbody> <tr><td>Income Tax</td><td>\$50.7m</td><td>\$717.8m</td></tr> <tr><td>VAT</td><td>\$58.9m</td><td>\$500.7m</td></tr> <tr><td>STT</td><td>\$129k</td><td>\$121.4m</td></tr> <tr><td>CGT</td><td>\$1m</td><td>\$23.1m</td></tr> <tr><td>TL</td><td>\$0</td><td>\$1.2m</td></tr> <tr><td>CCL</td><td>\$0</td><td>\$3.5m</td></tr> <tr><td>SRT</td><td>\$209k</td><td>\$11m</td></tr> <tr><td>FBT</td><td>\$1.3m</td><td>\$21.2m</td></tr> <tr><td>Third Party</td><td>\$0</td><td>\$1.8m</td></tr> <tr><td>Stamp Duty</td><td>\$2m</td><td>\$78m</td></tr> <tr><td>EL</td><td>\$73k</td><td>\$67.7m</td></tr> <tr><td>Customs (Fiscal+IEX+VAT+LVL+LPF)</td><td>\$8.9m</td><td>\$891m</td></tr> </tbody> </table> <p><i>*Based on 2016 Receipts Data</i></p> <p>Total Tax Collection Represents: IT – 7% VAT – 12%</p> <p>2.2 Number/type of customers: 985 <i>*Active List</i></p> <table style="width: 100%;"> <tr><td>Sole Trader</td><td>- 481</td></tr> <tr><td>Partnerships</td><td>- 20</td></tr> <tr><td>Companies</td><td>- 473</td></tr> <tr><td>Non-Profit</td><td>- 4</td></tr> <tr><td>Estate/Trust</td><td>- 1</td></tr> <tr><td>Statutory/Ministries</td><td>- 6</td></tr> </table>	Tax Type	Revenue	Total Rev.	Income Tax	\$50.7m	\$717.8m	VAT	\$58.9m	\$500.7m	STT	\$129k	\$121.4m	CGT	\$1m	\$23.1m	TL	\$0	\$1.2m	CCL	\$0	\$3.5m	SRT	\$209k	\$11m	FBT	\$1.3m	\$21.2m	Third Party	\$0	\$1.8m	Stamp Duty	\$2m	\$78m	EL	\$73k	\$67.7m	Customs (Fiscal+IEX+VAT+LVL+LPF)	\$8.9m	\$891m	Sole Trader	- 481	Partnerships	- 20	Companies	- 473	Non-Profit	- 4	Estate/Trust	- 1	Statutory/Ministries	- 6	<p>3.1 Registration risk: High</p> <ul style="list-style-type: none"> Sub-Contractors, Architects, Plumbers and Electricians are not registered for tax purposes <p>3.2 Filing risk: High</p> <ul style="list-style-type: none"> Most sub-parties to a construction project do not lodge returns. IT (36%) – 357 Customers with missing IT returns VAT (23%) – 230 Customers with missing VAT returns <p>3.3 Payment risk: High</p> <ul style="list-style-type: none"> IT (8%) – 78 Customers with IT owing, \$2.8m total arrears VAT (16%) – 159 Customers with VAT owing, \$5.6m total arrears <p>3.4 Underreporting risk: High</p> <ul style="list-style-type: none"> Tax Avoidance & Evasion by major contractors Overstatement of expenses lead to continuous loss cases VAT is not accurately reported (understate output/over-claim input) Provisional taxes for sub-contractors are not withheld and remitted to FRCS 	<p>4.1 Measures for facilitating compliance (service)</p> <ul style="list-style-type: none"> Distribute education materials through: <ul style="list-style-type: none"> Workshops for medium risk customers TV ads and via Social Media Awareness via site inspections to contractors, sub-contractors, architects, plumbers and electricians. Awareness with Professional Associations <p>4.2 Measures for dealing with non-compliance (enforcement)</p> <ul style="list-style-type: none"> PAYE team to do rigorous site inspection to trace non-filers and unregistered customers Social Media profiling on individuals providing construction services Target one successful referral for criminal prosecution Continuous acquisition of third-party data: Suva City Council – building permits FEA – electricity usage as this expense is mostly admin LTA – no. of vehicles owned vs depreciation and fuel claims Integrated Audit on higher risk customers including family members.
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7. Capacity Development	<p style="text-align: center;">5. Compliance Indicators</p> <ul style="list-style-type: none"> % increase in Registration % increase in Income tax % increase in VAT % increase in Provisional tax <p>Information Systems, Data Management & Analytics Develop capability to exploit bulk, 3rd party data</p> <p>Administrative Tools Obtain MOUs with external stakeholders to acquire key, bulk data</p>	<p style="text-align: center;">6. Workflows</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2">Type/Number of Actions</th> <th colspan="4">Customer Risk category</th> </tr> <tr> <th>High Risk</th> <th>Medium Risk</th> <th>Key Client</th> <th>Lower Risk</th> </tr> </thead> <tbody> <tr><td>Awareness Sessions</td><td>5</td><td>5</td><td>5</td><td>10</td></tr> <tr><td>Advisory Visits</td><td>15</td><td>10</td><td>5</td><td>5</td></tr> <tr><td>Limited Scope Audits</td><td>20</td><td>20</td><td>3</td><td>3</td></tr> <tr><td>Comprehensive Audits</td><td>20</td><td>3</td><td>2</td><td>2</td></tr> <tr><td>Debt collection Actions</td><td>20</td><td>20</td><td>10</td><td>10</td></tr> </tbody> </table> <p>Staff Development Hold a seminar with a representative from the construction industry to better understand non-compliance in Fiji.</p>	Type/Number of Actions	Customer Risk category				High Risk	Medium Risk	Key Client	Lower Risk	Awareness Sessions	5	5	5	10	Advisory Visits	15	10	5	5	Limited Scope Audits	20	20	3	3	Comprehensive Audits	20	3	2	2	Debt collection Actions	20	20	10	10																	
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Compliance Strategy: Industry – Real Estate

<p>1. Strategy Overview:</p>	<p>The real estate sector is at its peak due to new developments made in the country. However, non-compliance by certain entities affects the economy. An MOU is in place with REALB and FEA to acquire more data. Most individuals earning salary also engage in rental activities and do not declare this income. RAPT is calling these individuals and advising them of their tax obligations. More investigations shall also be done on real estate companies not declaring their full commission income.</p>																																								
<p>2. Segment Profile</p> <p>2.1 Amount/type of tax revenue:</p> <table border="1" data-bbox="212 435 622 882"> <thead> <tr> <th>Tax Type</th> <th>Revenue</th> <th>Total Rev.</th> </tr> </thead> <tbody> <tr> <td>Income Tax</td> <td>\$23.4m</td> <td>\$717.8m</td> </tr> <tr> <td>VAT</td> <td>\$19.4m</td> <td>\$500.7m</td> </tr> <tr> <td>STT</td> <td>\$2.4m</td> <td>\$121.4m</td> </tr> <tr> <td>CGT</td> <td>\$1.9m</td> <td>\$23.1m</td> </tr> <tr> <td>TL</td> <td>\$0</td> <td>\$1.2m</td> </tr> <tr> <td>CCL</td> <td>\$0</td> <td>\$3.5m</td> </tr> <tr> <td>SRT</td> <td>\$60k</td> <td>\$11m</td> </tr> <tr> <td>FBT</td> <td>\$248k</td> <td>\$21.2m</td> </tr> <tr> <td>Third Party</td> <td>\$0</td> <td>\$1.8m</td> </tr> <tr> <td>Stamp Duty</td> <td>\$4.2m</td> <td>\$78m</td> </tr> <tr> <td>EL</td> <td>\$1.4m</td> <td>\$67.7m</td> </tr> <tr> <td>Customs (Fiscal+IEX+VAT+LVL+LPF)</td> <td>\$1.6m</td> <td>\$891m</td> </tr> </tbody> </table> <p><i>*Based on 2016 Receipts Data</i></p> <p>Revenue from this segment represents about X% of total tax collections IT – 3.3% VAT – 3.9%</p> <p>2.2 Number/type of customers: 1100 <i>*Active List</i></p> <p>Sole Trader - 337 Partnerships - 91 Companies - 620 Non-Profit - 6 Estate/Trust - 41 Cooperatives - 4 Statutory/Ministries - 1</p>	Tax Type	Revenue	Total Rev.	Income Tax	\$23.4m	\$717.8m	VAT	\$19.4m	\$500.7m	STT	\$2.4m	\$121.4m	CGT	\$1.9m	\$23.1m	TL	\$0	\$1.2m	CCL	\$0	\$3.5m	SRT	\$60k	\$11m	FBT	\$248k	\$21.2m	Third Party	\$0	\$1.8m	Stamp Duty	\$4.2m	\$78m	EL	\$1.4m	\$67.7m	Customs (Fiscal+IEX+VAT+LVL+LPF)	\$1.6m	\$891m	<p>3. Key Compliance Risks</p> <p>3.1 Registration risk: Medium</p> <ul style="list-style-type: none"> A number of individuals are not registered correctly <p>3.2 Filing risk: Medium</p> <ul style="list-style-type: none"> Filing rate has improved compared to prior years. IT (22%) – 240 Customers with missing IT returns VAT (17%) – 187 Customers with missing VAT returns <p>3.3 Payment risk: Medium</p> <ul style="list-style-type: none"> IT (5%) – 53 Customers with IT owing, \$1.3m total arrears VAT (6%) – 65 Customers with VAT owing, \$2m total arrears <p>3.4 Underreporting risk: High</p> <ul style="list-style-type: none"> Non-declaration of accurate commission received by some real estate agents. No receipts issued by landlords for rental property income Offshore settlements are not properly declared 	<p>4. Risk Treatments</p> <p>4.1 Measures for facilitating compliance (service)</p> <ul style="list-style-type: none"> An MOU is in place with REALB for information sharing. Analysis of FEA data to detect non-declaration of rental income. Strong communication strategies between REALB and FRCS Workshops held to update Real Estate companies on tax obligations <p>4.2 Measures for dealing with non-compliance (enforcement)</p> <ul style="list-style-type: none"> Tax Compliance Certificate (TCC) is mandatory to renew license All license renewal for real estate agents to go through REALB Target one successful referral for tax prosecution Integrated audit on customers dealing with offshore entities Site Inspection by PAYE Inspection Team on property owners having more than 1 FEA meter and declaring rental income All Real Estate agents to file a monthly summary of all their activities (sales, rental, and commission received) to CGT Dept. for reconciliation & verification purpose.
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<p>7. Capacity Development</p>	<p>5. Compliance Indicators</p> <ul style="list-style-type: none"> % increase in real estate registrations % increase in filing % increase in Income Tax % increase in VAT <p>Information Systems, Data Management & Analytics Develop capability to exploit bulk, 3rd party data</p> <p>Administrative Tools MOU in place for data sharing and information gathering</p>	<p>6. Workflows</p> <table border="1" data-bbox="1335 991 2018 1193"> <thead> <tr> <th rowspan="2">Type/Number of Actions</th> <th colspan="4">Customer Risk category</th> </tr> <tr> <th>High Risk</th> <th>Medium Risk</th> <th>Key Client</th> <th>Lower Risk</th> </tr> </thead> <tbody> <tr> <td>Awareness Sessions</td> <td>5</td> <td>5</td> <td>5</td> <td>10</td> </tr> <tr> <td>Advisory Visits</td> <td>15</td> <td>10</td> <td>5</td> <td>5</td> </tr> <tr> <td>Limited Scope Audits</td> <td>20</td> <td>20</td> <td>2</td> <td>2</td> </tr> <tr> <td>Comprehensive Audits</td> <td>20</td> <td>3</td> <td>1</td> <td>1</td> </tr> <tr> <td>Debt collection Actions</td> <td>20</td> <td>20</td> <td>10</td> <td>10</td> </tr> </tbody> </table> <p>Staff Development Acquire training on real estate business operations</p>	Type/Number of Actions	Customer Risk category				High Risk	Medium Risk	Key Client	Lower Risk	Awareness Sessions	5	5	5	10	Advisory Visits	15	10	5	5	Limited Scope Audits	20	20	2	2	Comprehensive Audits	20	3	1	1	Debt collection Actions	20	20	10	10					
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Compliance Strategy: Industry – Supermarkets

1. Strategy Overview:	Under-reporting of income continues to prevail in this industry. A variety of techniques are being used to suppress sales and inflate expenses / VAT input. Some major supermarkets have been fully audited for fraud and huge discrepancies have been identified. These customers know their tax obligations, however engage in fraudulent activities. The strategy for improvement is to educate customers on their tax obligations, particularly small-medium customers and the new VMS. For enforcement, a significant number of issue-based audits will be conducted to examine specific problem areas. For some issues, tampering of cash register in particular, FRCS will target referral for criminal prosecution.
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Compliance Strategy: High Wealth Individuals (HWIs)

<p>1. Strategy Overview:</p>	<p>These individuals are those who have accumulated net wealth to the level that places them at the very top of the wealth scale in Fiji. Net Wealth is defined as the value of financial assets plus real assets (land and buildings), owned by individuals and their immediate families, less their debts. It also includes personal wealth and wealth held in trusts and in legal entities controlled by the individuals and their families. FRCS must face the challenge of ensuring compliance by the wealthiest individuals, so that the public can see that the administration is fair and that no individual, no matter how wealthy or well-connected is above the law.</p>																																				
<p>2. Segment Profile</p> <p>2.0 Criteria for inclusion:</p> <p>Total Income > \$1 million Have Offshore Assets Directors > 3 companies</p> <p>2.1 Amount/type of tax revenue:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="text-align: center;">Offshore Assets</th> <th style="text-align: center;">Total Income</th> <th style="text-align: center;">Tax Payable</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">\$469m</td> <td style="text-align: center;">\$119m</td> <td style="text-align: center;">\$7.2m</td> </tr> </tbody> </table> <p><i>*Total Income & Tax. Pay. for Yr. 2015</i></p> <p>2.2 Number/type of customers: 527</p> <p><i>*Active List</i></p> <p>Business – 334 Salary – 193 Total = 527</p>	Offshore Assets	Total Income	Tax Payable	\$469m	\$119m	\$7.2m	<p>3. Key Compliance Risks</p> <p>3.1 Registration risk: Low</p> <ul style="list-style-type: none"> The probability of a registration risk is low. <p>3.2 Filing risk: Low</p> <ul style="list-style-type: none"> IT (12%) – 41 Business Customers with missing IT returns VAT (4%) – 12 Business Customers with missing VAT returns <p>3.3 Payment risk: Low</p> <ul style="list-style-type: none"> IT (4%) – 12 Business Customers with IT arrears \$495,733 VAT (0.3%) – 1 Business Customer with VAT arrears \$651 <p>3.4 Under-reporting risk: High</p> <ul style="list-style-type: none"> HWIs usually engage in aggressive tax planning & create complex business arrangements Private companies and trusts are not subject to stock exchange disclosure requirements (IFRS) that public companies have. An external audit is not compulsory as in public companies. Accumulation of wealth over a period of time without declaration. Non-filers are a payment risk 	<p>4. Risk Treatments</p> <p>4.1 Measures for facilitating compliance</p> <ul style="list-style-type: none"> Create separate link for HWIs on website e.g. guidance for specific issues such as income from abroad & complex areas of tax law. More awareness via media, notices and letters for tax obligations. Offer Tax Amnesty programs to facilitate voluntary compliance Exchange of information with other competent authorities Compliance Agreement between HWI & FRCS – enhanced service, clarity of interpretation & advance rulings; HWI commits to absolute transparency and full disclosure. Website apps – electronic filing and payment. HWI customers will be issued Wealth Statement form to declare their Net Wealth <p>4.2 Measures for dealing with non-compliance</p> <ul style="list-style-type: none"> HWI Unit – highly skilled, experienced and qualified officers undertaking risk analysis and audit. Exp. in PIT, CIT and Capital Taxes. Simultaneous audit of HWIs and legal entities they control. Build profile for each HWI; link to connected parties/entities. Conduct ABS Audit for each HWI. Legislate for all banks in Fiji to provide bulk data to FRCS HWI Unit Comprehensive checks - risk reviews, audits and prosecution for repeat offenders. Get data internally and external (3rd parties); FFIU, Data Bureau, FEA, Insurance Companies, LTA, Municipal Councils, Real Estate Coys, Legal Professions. Automated HWI Database 																													
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<p>7. Capacity Development</p>	<p>5. Compliance Indicators</p> <ul style="list-style-type: none"> % increase in no. of customers disclosing all assets voluntarily % increase in total tax collected Difference in Tax Gap 	<p>6. Workflows</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th rowspan="2">Type/Number of Actions</th> <th colspan="4">Customer Risk category</th> </tr> <tr> <th>High Risk</th> <th>Medium Risk</th> <th>Key Client</th> <th>Lower Risk</th> </tr> </thead> <tbody> <tr> <td>Awareness Sessions</td> <td style="text-align: center;">5</td> <td style="text-align: center;">5</td> <td style="text-align: center;">5</td> <td style="text-align: center;">10</td> </tr> <tr> <td>Advisory Visits</td> <td style="text-align: center;">15</td> <td style="text-align: center;">10</td> <td style="text-align: center;">5</td> <td style="text-align: center;">5</td> </tr> <tr> <td>Limited Scope Audits</td> <td style="text-align: center;">20</td> <td style="text-align: center;">20</td> <td style="text-align: center;">3</td> <td style="text-align: center;">3</td> </tr> <tr> <td>Comprehensive Audits</td> <td style="text-align: center;">20</td> <td style="text-align: center;">3</td> <td style="text-align: center;">2</td> <td style="text-align: center;">2</td> </tr> <tr> <td>Debt collection Actions</td> <td style="text-align: center;">20</td> <td style="text-align: center;">20</td> <td style="text-align: center;">10</td> <td style="text-align: center;">10</td> </tr> </tbody> </table>		Type/Number of Actions	Customer Risk category				High Risk	Medium Risk	Key Client	Lower Risk	Awareness Sessions	5	5	5	10	Advisory Visits	15	10	5	5	Limited Scope Audits	20	20	3	3	Comprehensive Audits	20	3	2	2	Debt collection Actions	20	20	10	10
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<p>7. Capacity Development</p>	<p>Information Systems, Data Management & Analytics Online research & profiling. Data matching and analysis with external parties</p> <p>Staff Development Training for staff on conducting ABS tests on HWIs.</p>																																				

Compliance Strategy: Value Added Tax (VAT)

1. Strategy Overview:	VAT is trust money that is collected by agents (companies, businesses, estates/trusts, partnership & non-profit organizations) on behalf of the government. This money is remitted to FRCS, however past experience indicates VAT is usually mistreated by these agents. The VAT rate had been reduced from 15% to 9% in January 2016. The basic idea was that consumption would increase and this shall increase VAT revenue. However, VAT revenue has declined and measures need to be put in place to identify and treat risk areas.																																																										
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Customs Compliance Strategy: All Traders

<p>1. Strategy Overview:</p> <p>All categories of compliance risk are a concern. The significant compliance risk in the Customs is undervaluation and duty evasion. To deal with this trend, a lot of initiative will be put into awareness and training of traders and agents. A comprehensive and issue based audit will be prioritized to curb the mentioned risk. In addition, services will be strengthened (e.g. pre-arrival rulings, "Compliance Audits"), internal capabilities enhanced and bilateral data exchange agreements pursued. Finally, we will proactively (and publicly) refer cases for criminal prosecution.</p>																																																													
<p>2. Segment Profile</p> <p>2.0 Criteria for inclusion: All Active Traders</p> <p>2.1 Number / Type of Entries:</p> <table border="1"> <thead> <tr> <th>IM</th> <th>PROCEDURE CODE</th> <th>VALUE \$M</th> <th>NO. OF SAD</th> </tr> </thead> <tbody> <tr> <td rowspan="2">4-Imports for home consumption</td> <td>4000</td> <td>2194.43</td> <td>262419</td> </tr> <tr> <td>4090</td> <td>19.05</td> <td>3867</td> </tr> <tr> <td>TOTAL IM4</td> <td></td> <td>2213.49</td> <td>266286</td> </tr> <tr> <td rowspan="2">5-Temporary Imports</td> <td>5200</td> <td>5.92</td> <td>276</td> </tr> <tr> <td>5300</td> <td>39.38</td> <td>1639</td> </tr> <tr> <td>TOTAL IM5</td> <td></td> <td>45.3</td> <td>1915</td> </tr> <tr> <td>7-Imports for Warehouse</td> <td>7100</td> <td>1077.65</td> <td>24668</td> </tr> <tr> <td>OVERALL TOTAL IM</td> <td></td> <td>3336.44</td> <td>292869</td> </tr> </tbody> </table> <p>2.2 Type / Amount of Revenue:</p> <table border="1"> <thead> <tr> <th>DUTY TYPES</th> <th>JAN-DEC \$M</th> </tr> </thead> <tbody> <tr> <td>Fiscal Duty</td> <td>397.64</td> </tr> <tr> <td>Import Excise Duty</td> <td>46.91</td> </tr> <tr> <td>Customs Import VAT</td> <td>444.33</td> </tr> <tr> <td>Excise Duty</td> <td>133.94</td> </tr> <tr> <td>Export Duty</td> <td>10.48</td> </tr> <tr> <td>Resource Tax</td> <td>46.87</td> </tr> <tr> <td>Departure Tax</td> <td>143.67</td> </tr> <tr> <td>Fish Levy</td> <td>0.12</td> </tr> <tr> <td>Luxury Vehicle Levy</td> <td>2.25</td> </tr> <tr> <td>Other Sundries</td> <td>0.08</td> </tr> <tr> <td>TOTAL</td> <td>1226.30</td> </tr> </tbody> </table> <p><i>*Based on 2016 Data</i></p>		IM	PROCEDURE CODE	VALUE \$M	NO. OF SAD	4-Imports for home consumption	4000	2194.43	262419	4090	19.05	3867	TOTAL IM4		2213.49	266286	5-Temporary Imports	5200	5.92	276	5300	39.38	1639	TOTAL IM5		45.3	1915	7-Imports for Warehouse	7100	1077.65	24668	OVERALL TOTAL IM		3336.44	292869	DUTY TYPES	JAN-DEC \$M	Fiscal Duty	397.64	Import Excise Duty	46.91	Customs Import VAT	444.33	Excise Duty	133.94	Export Duty	10.48	Resource Tax	46.87	Departure Tax	143.67	Fish Levy	0.12	Luxury Vehicle Levy	2.25	Other Sundries	0.08	TOTAL	1226.30	<p>3. Key Compliance Risks</p> <p>3.0 General Risk: High</p> <ul style="list-style-type: none"> Common culture of noncompliance among brokers Significant culture of noncompliance among traders Rapid growth of smuggling cases (commercial & prohibited) Significant misreporting with key trading partners Existence of Black Economy Intention to de-fraud government revenue Trade based money laundering Significant abuse of concession Intellectual Property Rights infringements <p>3.1 Classification Risk: High</p> <ul style="list-style-type: none"> Significant lack of classification knowledge in the community Intentional misclassification on advice of clearing agents Misdescription of goods by traders Lack of due care taken by the traders & brokers in the classification of goods <p>3.2 Valuation Risk: High</p> <ul style="list-style-type: none"> Intentional use of fictitious invoices Significant profit shifting & trade-based money laundering Significant inflation of values for export Unavailability of information on related party (trader/supplier relationship) Transfer pricing not at arm's length Lack of knowledge on GATT valuation regarding Article 1 & 8 (transaction value and adjustments). Mismatch of inward and outward remittances against imports & exports <p>3.3 Other Reporting Risk: High</p> <ul style="list-style-type: none"> Intentional falsification of country of origin and Extended Procedure Code. Prevalent "Misdescription" of goods on declarations Concession given to Oil Companies may be abused – removal of goods without payment of duty 	
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<p>5. Compliance Indicators</p> <ul style="list-style-type: none"> % increase in overall ASYCUDA World hit rates % decrease in new importer fraud % decrease in external statistics variances % increase in issuance of advanced rulings % increase in voluntary compliance level % decrease in money laundering cases 		<p>4. Risk Treatments</p> <p>4.1 Measures for facilitating Compliance (service)</p> <ul style="list-style-type: none"> Extending Customs to Business partnership-rewarding compliant traders Providing new capability to issue pre-arrival, advanced rulings for classification, valuation and origin Publicly recognize Customs brokers for good compliance on an annual basis Publish time release study for all Customs port on periodic basis Publish ASYCUDA World performance statistics and current system status Accessibility to "Tariff Rulings" on the website Training/awareness to categorized traders/agents and other stakeholders to encourage voluntary compliance Implementation and enforcement of the Intellectual Property Rights laws Strengthen relationship with RBF Continuous review of traders under concession <p>4.2 Measures for dealing with Non-Compliance (Enforcement)</p> <ul style="list-style-type: none"> Target successful referral of cases for criminal prosecution Impose the maximum penalty for non-compliance Continuous review of the licensing policy Develop an intelligence database to catalog reports from informants for research Systematically incorporate intelligence reports into compliance risk analysis Implement a formal process to capture input for selectivity from Customs stations (fraud code analysis) Strengthen Customs to Customs cooperation and information sharing Target new importers to ensure compliance and establish good practices Maintain a central database for fraudulent agents/traders Produce Intel Bulletin for information sharing amongst FRCS Surprise Audit on Bonded Warehouse 																																																											
<p>7. Capacity Development</p> <p>Information Systems, Telecommunications New databases for intelligence, missing traders and fictitious invoices</p> <p>Organization & Management Establish a Customs laboratory with specialists</p>		<p>6. Workflows</p> <table border="1"> <thead> <tr> <th rowspan="2">Type/Number of Actions</th> <th colspan="3">Trader Risk Category</th> </tr> <tr> <th>High Risk</th> <th>Medium Risk</th> <th>Lower Risk</th> </tr> </thead> <tbody> <tr> <td>Comprehensive Audits</td> <td>10</td> <td>10</td> <td>10</td> </tr> <tr> <td>Issue Audits</td> <td>20</td> <td>15</td> <td>10</td> </tr> <tr> <td>Advisory Visit</td> <td>10</td> <td>10</td> <td>10</td> </tr> </tbody> </table> <p>Administrative Tools Treaties (or amendments) with key partners for data exchange</p> <p>Staff Development Trainings on financials to Customs Auditors</p>		Type/Number of Actions	Trader Risk Category			High Risk	Medium Risk	Lower Risk	Comprehensive Audits	10	10	10	Issue Audits	20	15	10	Advisory Visit	10	10	10																																							
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