



VAT MONITORING SYSTEM (VMS)

ELECTRONIC FISCAL DEVICES (EFD)

CONTENT

- Necessity to control invoices and its benefits
- Electronic Fiscal Devices (EFD) – Definition and Concept design
- EFD Accreditation
- Taxpayer's obligations
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- Other items to accompany the use of EFDs
- User access to FRCS EFD database
- FRCS Inspection
- Fines for non-compliance
- Installation plan
- Only 3 steps to compliance
- EFD User benefits



Invoice Scams

The lack of the piece of legislation which governs the use of sales registration creates opportunity for following manipulations:

- Not issuing receipt to customer
- Deliberately hiding sales records
- Keeping two sets of books
- Making false entries in books and records
- Claiming false deductions



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Controlling benefits

Tax evasions are difficult to monitor, which is why the Governments wants to establish a technically more reliable way of controlling the amount of transactions of taxable persons conducting business. This will provide more appropriate monitoring mechanisms to Tax Administration and direct inspections of riskier activities and especially riskier taxpayers.

The most important goals of the legislation are the **reduction of the grey economy and achieving a level playing field for businesses in sectors affected by unfair competition**. In addition, the legislation is aimed at ensuring more efficient monitoring of cash operations and, consequently, an increase in general government revenue from all taxes.



Countries with special invoicing

laws

Argentina
Bosnia
Brazil
Bulgaria
Cyprus
China
Chile
Ethiopia
Greece
Italy (1983)
Jordan
Kenya
Lithuania
Macedonia
Malta

Mexico
Moldavia
Montenegro
Poland
Quebec
Romania
Russia
Rwanda
Serbia
Spain
Sweden
Turkey
Ukraine
Venezuela...

FIJI (2017)



Best practices



Technical approaches used in countries which have special invoicing laws served as a reference to us, in order to built more acceptable system.

What “acceptable” means is more appropriate towards the technological advancement and taxpayer’s way of conducting business.

Fiji Revenue and Custom Service is able to remotely perform audits without disturbing business operation at any time.

Taxpayer’s information are safely encrypted, risk free from manipulation and unauthorized viewing.

EFD legislation - benefits

Tax Administration (Electronic Fiscal Device) Regulations 2017

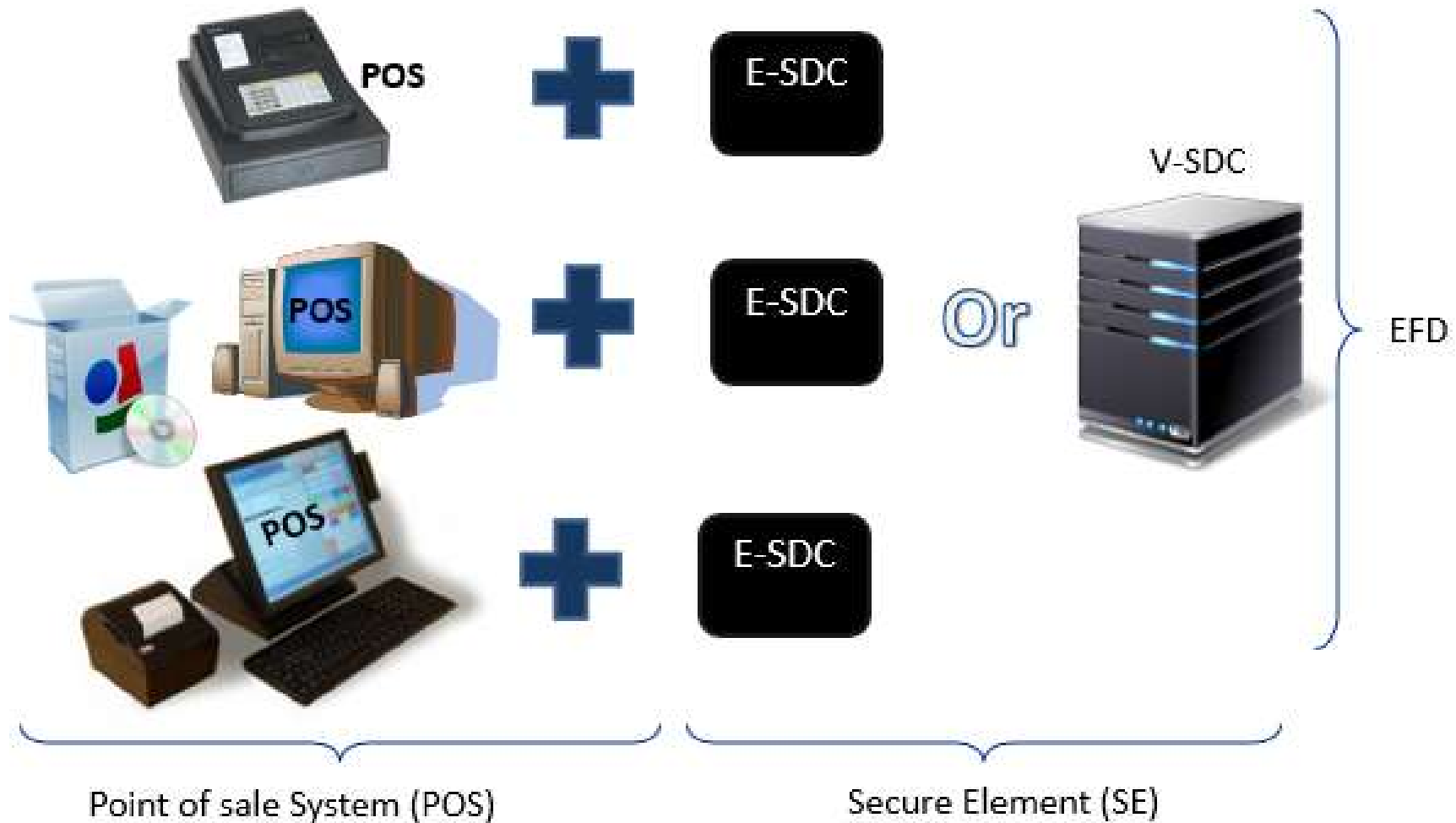
- The legislation provides the legal basis for the introduction of a new system for recording sales that will enable the transparent and reliable registration of all taxable transactions and thereby:
 - a) more efficient monitoring as a consequence of the unification of invoicing procedures;
 - b) increase in general government revenue;
 - c) improvement in human resources management;
 - d) prevention of tax evasion and tax fraud regarding all applicable taxes;
 - e) establishment of more equal conditions for doing business, regulation of the market, prevention of unfair competition and faster economic development;
 - f) protection of consumers;
 - g) acquisition of better data on the business operations of taxpayers.



Definitions

- **“Point of Sale system (POS)”** means a computer program, electronic devices or information systems for issuing of invoices
- **“Secure Element (SE)”** is a fiscal component in form of a special software or device which is designed to receive specific receipt data, performs signing and data processing and generates response data, which is sent back to caller for further actions. Response data provides authenticity of receipt data. Secure Element is issued and Controlled by LIRS. Main purpose of Secure Element is to sign invoices using collecting agent’s digital certificate, control audits and maintain set of fiscal counter.
- **“Sales Data Controller (SDC)”** comprises of POS and SE connected in one system. SDC produces fiscal receipts and reports audit data to FRCS

POS can be connected locally to a device (External SDC) or remotely to a server (Virtual SDC). Both ESDC and VSDC contain secure element which is assigned to taxpayer who operates POS.



EFD

Minimum requirements

EFD must meet the following minimum technical requirements:

A POS shall be able to send to its SE the receipt data needed in order to produce the receipt's EFD information



Accreditation of EFDs

Purpose of accreditation

Any hardware and software which is sold as POS and/or E-SDC is a subject to test for an assurance to meet all requirements by FRCS.

Every supplier of POS and/or E-SDC also has to be accredited by FRCS

Users may also be registered as suppliers if POS is intended for personal use only.

- There are 2 types of accreditation:

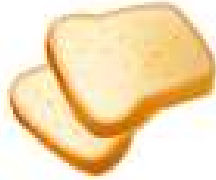
1. Product (POS/ESDC) Accreditation

2. Supplier Accreditation



Legislation – taxpayer’s obligations

- Users (taxpayers) of Electronic Fiscal Devices (EFD) are subject to the following obligations:
 - a) Install EFD at the sales location;
 - b) Issue receipt generated by EFD to every customer purchasing items or service;
 - c) Make sure that all items/services sold through EFD have clearly defined name and appropriate tax rate;
 - d) Upon request from the client, include client’s TIN on the receipt;
 - e) Must put a conspicuous notice containing information at the place where EFD is installed about your details and message “DO NOT PAY IF A RECEIPT IS NOT ISSUED”;
 - f) Make EFD available for control with respect to its being intact and the correctness of its operation;
 - g) Report change of sales location to FRCS in the event of moving EFD
 - h) Any other obligation that may be prescribed by the EFD.



PLU name: Wheet Bread
Price: 1.50
VAT: 9%



PLU name: Coca-Cola
Price: 8
VAT: 9%

STT = 10%

ENL = 6%

25%

Taxpayers will have to organize their management of items, and assure that every receipt contains details of the product sold with proper description, tax rate and sales price.



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Receipt specification

RECEIPT TYPE	TRANSACTION TYPE	RECEIPT LABEL
NORMAL	SALES	NS
NORMAL	REFUND	NR
<i>COPY</i>	<i>SALES</i>	<i>CS</i>
<i>COPY</i>	<i>REFUND</i>	<i>CR</i>
<i>TRAINING</i>	<i>SALES</i>	<i>TS</i>
<i>TRAINING</i>	<i>REFUND</i>	<i>TR</i>
<i>PRO FORMA</i>	<i>SALES</i>	<i>PS</i>
<i>PRO FORMA</i>	<i>REFUND</i>	<i>PR</i>

Normal Sale (NS), refers to a receipt that shall be produced and given to the client whenever sales transaction occurs.

Normal Refund, (NR), refers to a receipt that shall be produced for a client upon request with information indicating that a previously printed NS receipt contains incorrect information or information on a refund for returned or discounted goods or services. Each receipt of this type requires a statement by user inputted to a special refund log book containing receipt details and justification with description and the name of the refund recipient.

Other types of receipts made by EFD

- **Copy**, defined by receipt label as CS or CR, refers to a copy of only previously generated receipt of any NORMAL receipt type.
-
- **Training**, defined by receipt label as TS or TR refers to a printout purely for practice purposes on EFD and shall be produced only when it is in its training mode, with information similar to that which is to be indicated on a NORMAL receipt type.
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- If wrong means of payment has been printed on a Normal Sale (NS) receipt the user is allowed to produce a Normal Refund (NR) receipt that corrects the discrepancy immediately after error has occurred, and then produce a Normal Sale (NS) receipt with information on the correct means of payment, attaching original Normal Refund (NR) to the special refund log book with justification of such incident.

Other documents to accompany the use of EFD

Refund log book can be filled by user with information indicating that a previously issued NS (normal sale) receipt contained incorrect information. Both NS and NR (normal refund) receipts must be enclosed for audit purposes

REFUND BOOK Entry No. _____ Refund Date and Time _____ Refund Receipt No.(NR): _____ Normal Receipt No.(NS): _____ Customer Name: _____ Client's TIN: _____ NR: _____				
No.	Refunded item descriptions	Unit price	Qty	Total
			Sub total	
			Total TAX	
			Grand Total	
Reason for Refund: _____ _____ _____ Name of the client: _____ Signature: _____ Name of the seller: _____ Signature: _____				

Other items to accompany the use of EFD

The users of EFD shall post up at the entrance of their stores or at the cash desk, an attention notice to the customers regarding their obligation for requesting and keeping the receipt until they leave the shop.

The notice must be written in capital letters of minimum 3 cm high

TRADE NAME
ADDRESS
TIN: 123456789

NOTICE TO ALL CUSTOMERS: The Tax Administration
(Electronic Fiscal Device) Regulations 2017 requires the operator
of this business to issue a fiscal invoice to each customer.
**DO NOT PAY FOR THE GOODS AND SERVICES
SUPPLIED TO YOU UNLESS YOU ARE ISSUED A
FISCAL INVOICE.**

You may verify the authenticity of each invoice issued to
you on the Fiji Revenue and Customs Authority's website -
www.frca.org.fj



User access

FRCS will enable secure access to online accounting records to all TAXPAYERS.

- **Benefits:**

- Consolidate accounting records
- Assure information is accurate
- Track turnover of each sales location online

FRCS Inspection

- Inspection shall be conducted in different levels. The simplest one is checking if user is issuing fiscal receipts, while the other may involve in-depth functional check of EFD to verify if they fully comply with the regulation.
- FRCS shall recognize the user is compliant with these Rules once the EFD is in place and used in the prescribed manner.
- Scope of inspection shall involve all users known to be subject to obligation to use EFD. All users are required to provide information and documents to the extent necessary for the inspection activities.
- According to the legal provisions on all stakeholders obligations the FRCS shall enforce penalties prescribed by the law.



FRCS inspection – receipt verification



Electronic Fiscal Device Inspection

Unannounced visits

FRCS officers will conduct unannounced visits to taxpayers to enforce the legislation. FRCS shall make inspections as well as disguised visits (involving control purchases) to see if all transactions are registered and that certified receipts are valid and provided to customers.

Announced visits

FRCS announcements shall be made periodically or whenever there is a demand and shall involve one of the following criteria to define the area of inspection:

- Inspection of phase completion;
- Inspection of certain commercial street;
- Inspection of certain registered business activity;
- Inspection of EFD's specification compliance.

Electronic Fiscal Device Inspection

Profiling

FRCS officer is in a position to risk-profile user of EFD based on information contained in the "FRCS back office system" which is responsible for audit data management.

Profiling cases involve situations when:

- Activated EFD stopped operating for more than 2 days;
- there is a big gap in audit period, more than 7 days;
- there is a noticeable drop in quantity of receipt issued;
- there is a noticeable drop in value of receipts;
- continuous use of training and proforma function;
- there is a significant amount of issued refund receipts.

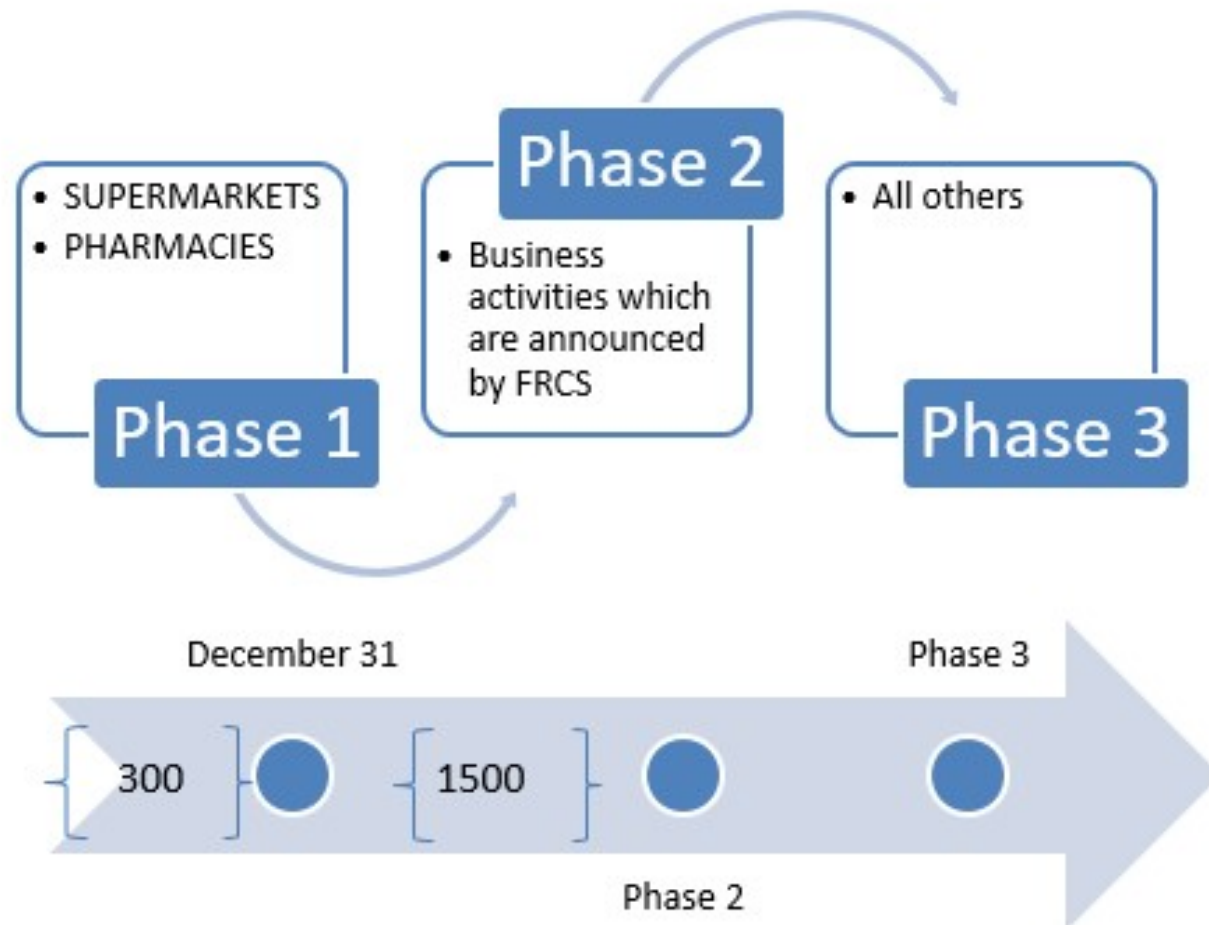
Repeated offenders

All previously audited taxpayers where an offence has been identified are included in re-audit program. If strong indicators of serious tempering with EFD and failure to issue receipts are detected in the review, these cases are sanctioned in accordance with penalty statute

FINES FOR NON-COMPLIANCE

- Violations are sanctioned according to the penalty statute.
 - Failure to use EFD by Taxpayer
 - Fraudulent use of the EFD
 - Failure to comply with any of the obligations

Installation plan



Only 3 steps to compliance

1. Make sure you have the required equipment

Only FRCS accredited equipment will be regarded as Electronic Fiscal Devices (EFD)

2. Have EFD activated and installed

Possible through supplier/dealer network

3. Use your EFD

Receipts produced by EFD can be verified by anyone from the public

EFD User benefits



- Improving and minimizing the cost of record keeping
(daily, monthly and annual reports are available)
- Minimize risk of theft by shop employees
(EFD reports to the owner each method of payment)
- Authentic documents for tax and other purposes
- Reduction of:
 - ✓ random tax audit
 - ✓ duration of audit period
 - ✓ paperwork for taxpayer and auditors

FRCS enables secure access to all taxpayers using EFD to view their records.

Benefits:

- Consolidate accounting records
- Assure information is accurate
- Track turnover of each sales location online



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