

# Challenges of Obtaining Information from Abroad



Focus on Tax Investigations and  
Audits in Fiji

Presenter: Shareen Prasad

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# Overview

- Challenges posed by international transactions, offshore holdings, and multinationals.
- Increasing need for cross-border information to assess and enforce tax laws.
- Barriers revenue authority faces in gathering international information.

# Key Challenges in Cross- Border Information Gathering

- Limited Access to International Tax Information
- Absence or Limited tax information exchange agreements with countries.
- Complexity of Tax Evasion Schemes: Offshore accounts, shell companies, complex transactions.
- Resource Constraints: Limited resources for investigating complex international financial flows.

# Legal and Regulatory Challenges

- Data Privacy and Confidentiality Laws: Data-sharing laws differ across jurisdictions.
- Legal hurdles with mutual assistance and data protection in foreign countries.
- International Standards and Agreements: Fiji's need to comply with international tax frameworks like OECD CRS.
- Lack of agreements with key tax havens.

# Impact of Challenges on Fiji's Tax Revenue

- Revenue Losses: Lost tax revenue from offshore tax evasion and avoidance.
- Reduced Capacity for Effective Audits: Limited evidence to support audits and tax assessments.
- Negative impact on Fiji's ability to detect and penalize tax evasion.

# Example: Fiji Branch of a Multinational Corporation (MNC)

## Scenario:

- A MNC operates a branch in Fiji, with its head office located in another country.
- The Fiji branch receives various services (under a Master Service Agreement) from related entities in multiple countries, with significant costs allocated to the branch as “pass-through” cost.

## Challenges:

- **Tracing Pass-Through Costs:** Difficulty determining the original source and nature of costs passed to Fiji, as service providers are located across multiple jurisdictions, and some costs passing through more than one entity before being allocated to Fiji.
- **Limited Access to Documentation:** Limited ability to access supporting documents from foreign jurisdictions to verify these transactions. (Fiji had DTA with one out of 5 jurisdiction involved)

## Impact:

- Unclear origin of allocated costs makes it challenging to verify if expenses are justified, potentially leading to underreporting of taxable income.

# Thank You

Q & A Session