FIJI REVENUE AND CUSTOMS SERVICE

VAT Guide

For more information, contact:
324 3000 or 1326 or info@frcs.org.fj
www.frcs.org.fj

Disclaimer

The content of this VAT Guide aims to provide a better general understanding of taxpayers' VAT obligations and is not intended to comprehensively address all possible VAT issues that may arise. While every effort has been made to ensure that this information is consistent with existing law and practice, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. It is recommended you obtain independent financial or tax advice for your own specific circumstances. Should there be any changes to law and practice, FRCS reserves the right to vary its position accordingly.

FOREWORD

I have the pleasure to introduce the Fiji Revenue and Customs Service (FRCS) - VAT Guide.

Value Added Tax or VAT is a consumption tax which is administered by the Service and contributes approximately 40 percent of the Government revenue.

FRCS acknowledges the need to simplify the interpretation of our existing tax legislation thus allowing ease of understanding and consistency in its application.

The objective of the VAT Guide is to support voluntary compliance as it will provide practical guidance on the application of the VAT laws and allow taxpayers to implement the VAT legislation more effectively. The VAT Guide simplifies and allows the understanding of VAT. The VAT Guide will be reviewed and updated to reflect the changes and evolution of the revenue policies, legislation and administration.

In developing the VAT Guide, FRCS received technical assistance from the Asian Development Bank (ADB) Domestic Resource Mobilization Trust Fund, which clearly demonstrates the partnership between both Organizations in improving Tax Administration and promoting voluntary compliance.

FRCS will continue to invest in resources that will make it easier for customers to comply with relevant legislations and policies and to be innovative in our taxpayer education and awareness and develop products that will reduce the knowledge gap.

This VAT Guide offers significant benefits for Fiji as we move towards self-assessment, automation and online services. The FRCS team are available to complement the guidance presented in this VAT Guide with tailored technical assistance to address any clarification. We hope that this VAT Guide will assist Fijians to voluntarily comply with the VAT laws and contribute towards the national economic development through taxes.

MR MALAKAI RATU NAIYAGA
Act. Chief Executive Officer

Table of Contents

CHAPTER 1 VALUE ADDED TAX - BASIC FACTS

What is Value-Added Tax (VAT)?

- It is a multi-stage indirect tax on the consumption of goods and services.
- It is a tax collected from consumers by VAT registered businesses on the sale of goods and services within Fiji, and remitted to FRCS.
- It can only be charged by VAT registered businesses on taxable goods and services.
- It is a percentage of the price charged for the goods or services.
- It can also be collected by Customs on the importation of goods into Fiji.

Things you need to know about VAT

Who can charge VAT?

- Only a VAT registered business can charge VAT from the date of registration with FRCS.
- The VAT registered business must charge VAT on all the goods and services it sells in Fiji unless the goods or services are zero rated or exempt from VAT.
- Refer to the Website on *www.frcs.org.fj* to find the list of VAT Registered businesses.

VAT registration thresholds

- Businesses must register for VAT with FRCS if their gross annual turnover is more than $100,000.
- Businesses may voluntarily register for VAT if their gross annual turnover is below the threshold.
- Once registration has been processed by FRCS the business will be provided with a *VAT Registration Confirmation Letter.*
- A produce supplier is not required to register for VAT if:
    - The supply of produce makes up 90% or more of the person's total value of supplies (even if the total value of supplies exceeds the compulsory registration threshold of $100,000); and
    - The business sells produce in a raw and unprocessed state.
- A business which supplies both produce and other taxable supplies is not a produce supplier if not operating as a separate branch.
- For more details, refer to the *Standard Interpretation Guideline for Produce Supplier and Produce Supplier in Chapter 5.*

VAT Rates

There are **2** rates of VAT being used in Fiji which has been summarised in the table **below**:

Rate	Description
0% *Zero Rated Supplies*	• Exports (subject to certain conditions). • Supplies of ship stores. • The sale of a "going concern" to another registered person. • Services in connection with goods situated outside Fiji (subject to certain conditions). • **Others as per second schedule of the VAT ACT 1991.**
15%	• Referred to as the general rate **and**, includes all goods and services that are not exempt or zero rated.

It is the responsibility of the VAT registered business to charge the correct rate of VAT. If you are not sure of the correct rate that is applicable to the goods and services that the business sells or supplies, please contact FRCS on *info@frcs.org.fj* or **324300** or **1326.**

Exempt goods and services

Exempt supplies of goods or services is where VAT is **not** levied, and input tax credits is not claimable in respect of the VAT incurred to make exempt supplies.

Exempt supplies include the supply of the following:

- Financial services.
- Residential accommodation, irrespective of the annual gross turnover.
- Educational services by an educational institution.
- Any goods and services incidental to the provision of education by an educational institution.
- Donated goods and services to any non-profit body.
- Others as per first schedule of the VAT ACT 1991

Summary

Different VAT rates have an effect whether or not the VAT registered business is entitled to claim input tax credits on the purchase of goods and services used in the relation to a taxable activity and supply.

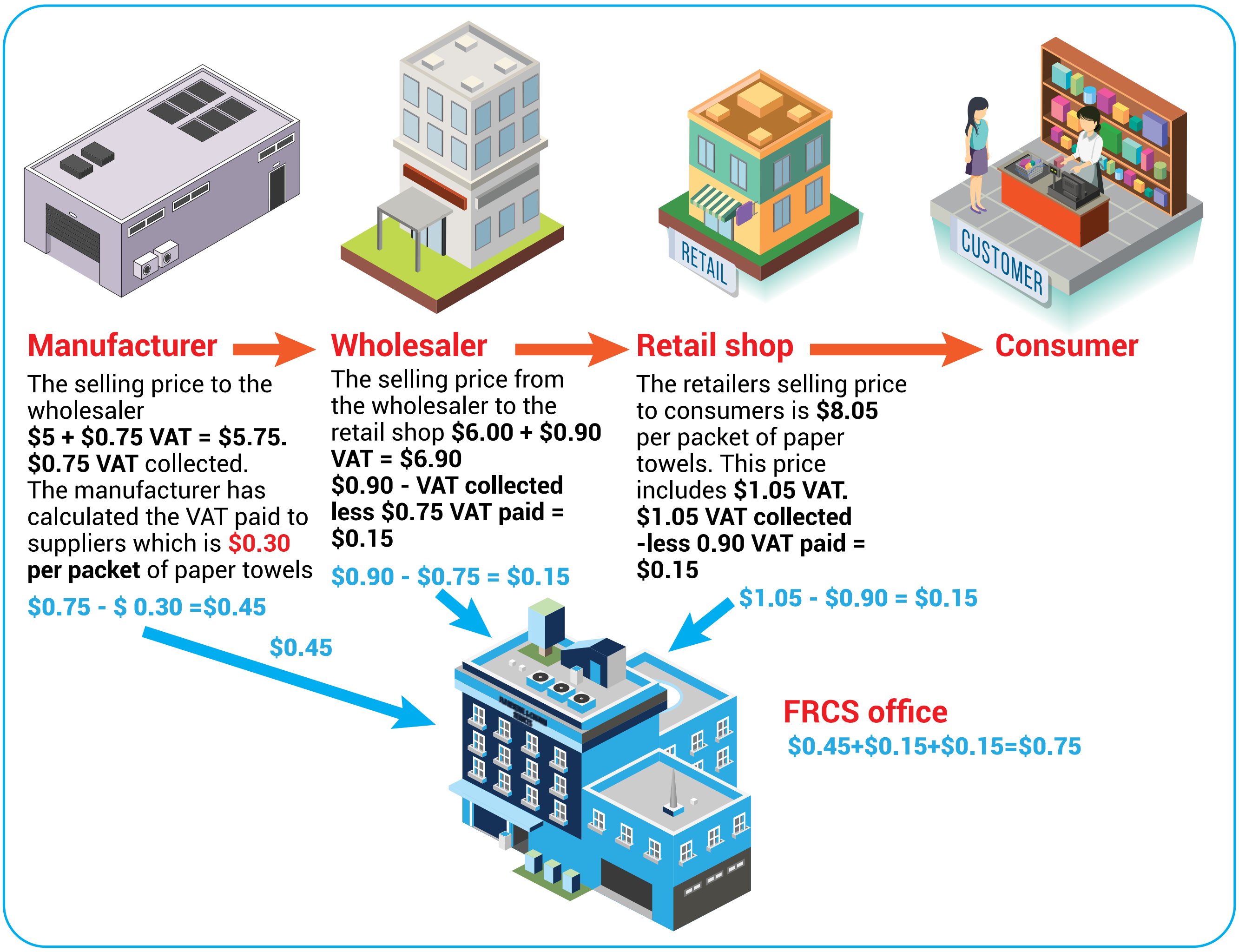
VAT Rate	VAT on Purchases
0%	Can claim VAT Credits
*9%	Can claim VAT Credits
15%	Can claim VAT Credits
Exempt	Cannot claim VAT Credits

* 9% VAT rate was only applicable until 31 July 2023

CHAPTER 2 HOW VAT WORKS

VAT System Illustration

- Packets of paper towels are manufactured in a factory in Nadi.
- The manufacturer sells the paper towels to a wholesaler who then sells the paper towels to a retail shop located in Suva.
- A consumer purchases the packet of paper towels from a retail shop in Suva.
- For the purpose of this example we will assume the VAT rate applicable is 15%.



Tax collected and payable to FRCS

Business type	Tax Collected $
Manufacturer	0.45
Distributor	0.15
Retailer	0.15
Total	**0.75**

Summary

Value Added Tax (VAT)

VAT to be paid to FRCS or refunded by FRCS. = Output VAT - Input VAT

CHAPTER 3 RESPONSIBILITIES OF VAT REGISTERED PERSONS

Registration

A business must register for VAT within 21 consecutive days of exceeding the gross annual turnover threshold of $100,000. Businesses may also voluntarily register for VAT if their gross annual turnover is less than the threshold.

Collecting VAT

A VAT registered business must charge VAT on all the goods and services it sells to its customers in Fiji, unless the goods and/or services are exempt from VAT.

Claiming VAT credits

- A VAT registered business is entitled to claim a credit (referred to as an input tax credit) for any VAT included in the price of any goods and services purchased and used by the business.
- When a business claims a VAT input tax credit in relation to a purchase, it must ensure that it obtains a tax invoice from the supplier and that the supplier is registered for VAT.

Filing VAT returns

- VAT returns can either be filed monthly, three monthly or yearly, depending on the annual gross turnover of the business.
- Where the annual gross turnover of a VAT registered business **exceeds $300,000,** VAT returns are required to be **filed monthly.**
- Where the annual gross turnover of a VAT registered business is **less than $300,000,** VAT **returns are** required to be **filed three monthly or yearly.**
- VAT returns are filed online. Refer to VAT Filing Steps on how to file a *Payable*, *Nil* or *Amendment* VAT returns online.

Tax invoices

- When a VAT registered business makes a taxable sale of goods and/or services of more than $10 (including VAT), it is required to issue a tax invoice.
- VAT registered businesses require a tax invoice in order to claim VAT input tax credit from the supplier of the goods and/or services.
- Where the supply of goods and/or services is below $10, the supplier is not required to issue a tax invoice unless requested by the purchaser.
- For more details on Tax Invoices refer to *Chapter 6*.

Display price - VAT inclusive

- The retail price of all goods and services will be inclusive of VAT.
- It is unlawful for a registered person to display the VAT component of the price of the goods and services separately.

Record keeping

- All records are to be **kept in Fiji, in the English language for a period of at least 7 years**.
- These records may include any or all of the following:
  - Details of all goods and services supplied (e.g. Sales).
  - All invoices, tax invoices, credit notes and debit notes issued and received by the VAT registered business.
  - Written evidence of the income and expenses of the business, as well as accounting journals, ledgers and any other books of account.
  - Bank statements.
  - Any other documents relating to the operations of the business.
- Records can be kept in any format including paper or electronic format.

Is your business required to register for VAT?

- Does the business sell goods or supply services?
- Does the business get paid (either in the form of money or by any other means, such as, barter) for the goods or services it supplies?
- Is the annual gross turnover of the business more than $100,000?

If you have answered **"Yes"** to all the questions above, then the business will be required to register for VAT.

Why register?

Because the business is engaged in a **"taxable activity"** and its annual gross turnover exceeds the VAT threshold of $100,000.

What is a "taxable activity"?

- A business is engaged in a **"taxable activity"** if:
  - It supplies goods and services on a ***continuous*** or ***regular*** basis.
  - The goods and services are supplied in ***exchange for consideration***.
    Consideration *is anything a business receives for providing goods or services. Payment is usually in the form of money but can be in the form of other goods or services such as barter. Payment may also be made by way of refraining from doing something it also includes temporary postponement of the payment.*
  - The supply of goods and services does **not necessarily** have to be for a profit making purpose.

- A taxable activity does not include:
  - Any activities carried on for personal purposes or as a private, recreational pursuit or hobby.
  - Salary and/or wages received by an employee.
  - Activities carried out by non- profit body unless the activity is in competiton to the disadvantage of any taxable activity carried on by any other person.

What is the annual gross turnover threshold for VAT registration?

- If you are carrying out a taxable activity in Fiji, you:
  - **Must** register for VAT within 21 consecutive days when the annual gross turnover of the business is greater than **$100,000,** provided the business is not a produce supplier**.** Refer to *Chapter 5*.
  - **May voluntarily** register for VAT if the business is a produce supplier or the annual gross turnover of the business is less than $100,000.

How to work out annual gross turnover?

- **"Annual Gross Turnover"** means the combined value of all taxable supplies (excluding exempt supplies) including the export of goods or services and all deemed supplies.
- The value of taxable supplies (turnover) of all business activities is taken into account to determine whether you are required to register for VAT.
- Businesses operating several branches and divisions **cannot avoid registration** by considering the turnover of each branch or division individually.
- At the time of closing off business accounts for the month, the business needs to keep a

running total of the turnover in respect of all its business activities for the last 12 months. If this total exceeds the **threshold of $100,000,** the business will become liable to register within **21 consecutive days.**

- A business also needs to consider its turnover for the next 12 months. For example, a business may have entered into a contract during the year to supply goods and services that will result in the business exceeding the threshold. When a business becomes aware that it will exceed the threshold it must apply for VAT registration within 21 consecutive days of becoming liable to register.

Activity	Annual VAT Threshold	
Supply of goods and services	Gross turnover at the end of **a month** and **11 months** immediately preceding.	Gross turnover at the **commencement of a month** and **11 months** immediately following.
	Exceeds **$100,000** - A business must register for VAT.	Expected to exceed **$100,000** - A business must register for VAT.

Example

ABC Ltd started operating its business under three trading names on 1 August 2022. At the end of financial year, on 31 July 2022, ABC Ltd reported the following turnovers from its business divisions.

A's Shoe Shop	B's Curry House	C's Electrical Repairs
Turnover $50,000	Turnover $48,000	Turnover $12,000

The combined turnover of the three businesses is $110,000, which exceeds the threshold limit. ABC Ltd noticed that the turnover exceeded the threshold when it closed its books on 31 July 2022. ABC Ltd must register for VAT within 21 consecutive days, no later than 21 August 2022.

How to register for VAT?

- VAT registration must be applied for online via Tax Payer Online Services (TPOS) *https://tpos.frcs.org.fj/taxpayerportal#/Logon*, either by the business, tax agents or their representatives.
- FRCS will issue a *confirmation letter* stating the business commencement date of VAT registration which is the effective date and the business filing cycle.
- Refer to *Online Registration Steps* for assistance in applying for VAT registration through (TPOS) *https://tpos.frcs.org.fj/taxpayerportal#/Logon.*

What happens if a business fails to register for VAT?

- FRCS will deem the business's VAT registration.
- Registration will be effective from when the gross annual turnover exceeded the VAT threshold.
- The business will be liable to pay the VAT assessed by FRCS even though the business did not charge VAT.
- The business can be fined up to $10,000 for not registering when liable.

In determining if one business is a produce supplier for VAT purposes it is important to first understand the following:

- What is a produce?
- What is raw, unprocessed produce?
- What is processed produce?

What is a produce?

- Produce is referred to as any produce from the **activity of agriculture** and includes any fruits, vegetables, animal husbandry, poultry keeping (livestock farming) and root crops sourced from agricultural activities as well as fish and other aquatic produce for the purpose of consumption.
- It can be in various forms for instance it can be raw, unprocessed or processed.
- Imported agricultural produce is not classified as produce.

What do agricultural activities include?

Agricultural activity results in production of produce and this can be in various forms of activities. These activities are:

- Coconut planting.
- Dairy farming.
- Fruit farming.
- Sugar cane farming.
- Animal husbandry, poultry keeping (livestock farming etc.).
- Grazing.
- Market gardening or horticulture (vegetable farming etc.).
- Apiculture (honey production etc.).
- Aquaculture farming for purpose of consumption.

It is important to note that **forestry is not** referred to as part of **agricultural activity** for VAT purposes.

What is raw, unprocessed produce?

Produce is raw and unprocessed if:

- Not yet cooked, smoked or baked.
- Unmanufactured, undiluted, crude, un-milled, un-powdered, un-pounded.
- Not processed mechanically or by the use of chemicals.

Produce is **still** classified as **raw** if there is:

- Basic separation.
- Cutting of parts.
- Packaging; or
- Freezing (excluding blast or snap freezing).

What is processed produce?

Produce is said to be processed if it is cooked, smoked, manufactured, diluted, milled, powdered, pounded, or processed mechanically or by the use of chemicals. For example:

- Sausages (processed).
- Minced meat.

- Steak.
- Bacon.
- Blast frozen chicken.
- Snapped frozen peas and vegetables.
- Polished rice (milled).
- Pounded kava.

Who is a produce supplier?

A produce supplier is a business which deals with produce in a raw and unprocessed state from the activities of agriculture. A business is not a produce supplier if it engages in:

- Buying and selling of produce obtained from farmers.
- Selling other taxable supplies without any separate branch or division.

A business that supplies both produce and other taxable supplies from the same place (e.g. shop) is NOT a produce supplier. Exception is made only in case of a branch or division as explained later in this chapter.

VAT registration of produce suppliers

For VAT purposes, regardless if it exceeds the annual gross turnover threshold, it is not mandatory for a produce supplier to register for VAT if they satisfy that:

- The produce supply makes up at least 90% of the person's total value of supplies; and
- The business's balance of supplies (if any) are produce but does not have to be in a raw or unprocessed state.

Branch and division

A registered business that supplies both produce and other taxable supplies is not a produce supplier. However, if the registered business does not wish to charge VAT on produce supplies, the business can apply to the CEO to treat a separate branch or division of the person's business as a produce supplier division.

A registered person carrying on various taxable activities and who also supplies produce, can supply produce without charging VAT in a separate branch as a separate person, provided the registered person meets the requirements below:

- Each branch maintains an independent system for accounting.
- Solely supplies produce in raw and unprocessed state.
- Can be separately identified by reference to being a produce supplier, that is, produce supplier branch or division being separately located.

Operating a separate branch or division means that it is exclusively meant for produce supplies and that:

- Although the business is a registered person, VAT will not be charged on sales of produce from that branch or division.
- The registered person is **not** allowed to claim **any** input tax on purchases and expenses related to the branch or division.
- Any asset (equipment etc.) used in a taxable activity that is transferred for use in the produce supply branch or division, is a deemed supply and the VAT registered arm of the business will be required to account for output VAT on either the cost or the market value of the asset, whichever is less. However, no input tax is claimable by a produce supply branch.

Guide for Operating a Branch or Division

Requirements	Additional guidelines
Each branch or division must maintain an independent system for accounting.	This involves the following: (i) Separate record keeping for sales- invoices. (ii) Separate record keeping for purchases and expenses. (iii) Identification of overhead costs involving electricity, telephone, office space, motor vehicle expenses so that VAT paid on purchases of goods and services can be correctly apportioned between the taxable supply and produce supply. (iv) Receipts and bank account of produce supply branch must be separate.
Each branch or division must solely supply produce in a raw and unprocessed state.	The produce supply branch or division must only supply produce as defined in section 2 of the VAT Act 1991, this branch must not supply any other products which are supplied under the taxable supply.
Each branch or division can be separately identified by reference to being the produce supplier, (produce supplier branch or division being separately located).	The Registered person must have a separately identified place from where the produce is sold. The physical separation is important and may involve the following: (a) Separate cashiers/ tills. (b) Separate counters. (c) Physical division like permanent chains, partitions, dividers etc. to separate the customer areas to ensure that sales from produce supply and taxable activity is not mixed. (d) Separate storage areas as far as possible. Where this is not possible, an acceptable basis of apportioning VAT paid on inputs must be established. (e) List of assets used solely for produce supply division. (f) Produce supplier branch must have separate bank accounts.

Is a middleman a produce supplier?

A middleman is a business that is engaged in buying produce from farmer(s) and then supplies it to customers. The supply made by middleman will not be considered as produce supply and therefore, **middleman supplying will not be considered as a produce supplier.**

Basically the activity of buying and re-selling of agricultural products does not constitute activity of agriculture but trade.

For this reason middleman's business activity is treated as normal taxable activity hence, if a middleman's annual gross turnover exceeds $100,000, it is mandatory for the middleman to register and charge VAT.

Example: Kava Dealer

Mr. Wholesaler is a sole trader and has a VAT registered business that has a yaqona farm that wholesales yaqona. Mr. Wholesaler operates 2 shops.

Shop 1 - Mr. Wholesaler sells yaqona from his farm in raw state
Shop 2 - Mr. Wholsesaler also sells yaqona from his farm in raw state and in addition he buys yaqona from farmers in a raw state. Mr. Wholesaler cleans the yaqona (basically removing the dry mud) bought from other farmers and sells it to kava shops in raw state.

Which branch or shop qualify as a produce supplier?

Factor to consider	SHOP 1	SHOP 2
Supplying 100% produce	Yes	Yes
Supplies obtained from **his** farm	Yes	Yes
Supplies obtained from other farmers	No	Yes
Result	Produce supplier	Not produce supplier

Example: Green Grocer Shop

Mr. Retailer is a green grocer who operates two (2) shops and is registered for VAT.

- Shop 1 – sells locally produced fruits and vegetables from agricultural activity harvested from Mr. Retailer's farm;
- Shop 2 – sells imported fruits and vegetables.

Mr. Retailer maintains an independent system of accounting for both shops.

Which branch or shop qualify as a produce supplier?

Factor to consider	SHOP 1	SHOP 2
Shops solely supply produce	Yes	No
Shops maintains an independent system of accounting	Yes	Yes
Produce supplied from shop are from Mr. Retailer's farm	Yes	**No** because the shop also sells imported produce.
Result	Produce Supplier	Not a Produce Supplier

Example: Butcher

A butcher, Mr. T, sells the following products from a single shop:

- Imported lamb (lamb chops, lamb necks, lamb shanks).
- Frozen chicken (blast frozen) products (whole chicken in packaging, chicken pieces, chicken thighs).
- Fish pieces – whole fish (blast frozen) bought from fish dealers.
- Frozen Fish – (normal freezing) – purchased from local fishermen.
- Local meats – supplied from the butcher owner's farm (including goat, sheep and beef) which are slaughtered, cleaned and cut into parts.

Mr. T considers that:

- All the meat supplied from his own farm; and
- The fish he caught himself as well as fish obtained from other fisherman which is frozen (normal freezing) qualifies as produce.

A separate cash register is maintained to record the sale of produce. Separate accounting records are maintained for items classified as produce. Mr. T's sales were as follows:

Total Sales	$10,000,000
Imported lamb	$2,000,000
Frozen Chicken	$2,000,000
Fish Pieces	$500,000
Frozen Fish	$500,000
Local meat	$5,000,000

Will Mr. T be treated as a produce supplier under the provisions of VAT Act?

Factors to consider	Butcher
Does the shop maintain an independent system of accounting for produce sales?	**Yes.** The shop has: • A separate cash register that is used to record the sale of produce. • Separate accounting records to record the purchases and sales of produce.
Do all the goods sold qualify as produce?	**No.** The shop does not solely supply produce as imported lamb and frozen chickens are not classified as produce supplies.
Will the fish Mr. T purchased from other fisherman qualify as produce?	**No.** Fish bought from other fisherman is not a produce, Ashneel will be considered a distributor.
Result	Mr.T's Butcher shop is a not a produce supplier.

For more information on Produce Supplier refer to *SIG 2018 Produce Supplier*

CHAPTER 6 TAX INVOICES

The most important document in a VAT system is the **Tax Invoice**. Without a valid tax invoice a VAT registered business cannot claim input tax credits on goods and services acquired for use in business. A fiscal invoice issued is also a valid Tax Invoice.

VAT registered businesses are required to issue tax invoices in relation to taxable supplies. The tax invoice is also an integral part of the audit trail.

What is the difference between a commercial invoice and a tax invoice?

The VAT Act states that a tax invoice must contain certain details about the taxable supply as well as details of the parties involved in the transaction. A commercial invoice is generally a billing document sent to the customer.

Commercial Invoice	Tax Invoice
This can be any type of document, notifying the purchaser to make a payment in respect of a transaction.	A document required in a specific format by a VAT registered business in order to deduct an input tax credit.
Can be issued for a transaction which includes taxable and non-taxable supplies. Does not need to show VAT rates.	Must contain the VAT rates applicable and include exempt supplies if the transaction is greater than $100.
Can be issued by anyone.	Can only be issued by a VAT registered business.

When is a VAT registered business required to issue a tax invoice?

- A VAT registered business must issue a tax invoice for the supply of goods and services to a customer if the value of supply is **more than $10.**
- Any supply of goods and services that is **less than $10**, the supplier is only required to issue a tax invoice if requested by a customer.
- If the total value of a transaction in respect of the goods and **services sold is less than $100** the VAT registered person may issue a "*simplified tax invoice*".
- If the total value of the **goods and services exceed $100,** the registered VAT business must issue a "*tax invoice*".

What details are included on the tax invoice?

Tax invoice for taxable supplies above $100

Every tax invoice issued by a VAT registered person must contain the following details in the invoice:

1. The words 'tax invoice' should appear in a prominent place.
2. Name, address and Taxpayer Identification Number [TIN] of the supplier
3. Name and address of the recipient.
4. Individual serialized number.

5. The date the invoice is issued.
6. A description of the goods and services supplied and its unit price.
7. The quantity or volume of the goods and services supplied and any discounts that may be applicable including the total price.
8. The total consideration with and without VAT should be stated separately as well as the VAT rates applicable to the value of the goods and services supplied.

Refer to the sample invoice below

ABC Company Pte Limited
TIN: 500000000

Lot 20 Votcity
Nadi
Phone: 666 XXXX
Fax: 666 XXXX (2)

TAX INVOICE (1)

INVOICE # 150 (4)
DATE: 22 AUGUST 2023 (5)

TO:
DEF CORNER SHOP
Lot 1 Lucky City
Nadi
Phone: 166 XXXX (3)

DESCRIPTION	QUANTITY	UNIT PRICE	DISCOUNT	TOTAL
#16 ABC CHICKEN #	10	$18.00	0	$180.00
20LITER EDIBLE OIL *	1	$60.00	0	$60.00
500G TEA LEAVES *	10	$7.50	0	$77.00
13KG WASHING POWDER *	10	$13.00	0	$130.00
10 KG FLOUR *	20	$11.50	0	$230.00
900G PEANUT BUTTER	10	$8.50	0	$170.00
200ML SHAMPOO	10	$3.45	-$4.50	$30.00
100G TOOTHPASTE *	40	$1.50	-$20.00	$40.00
(6)	(7)	(6)	(7)	

(8)

TOTAL PURCHASE [VIP]	**$917.00**
VAT 15%	$49.57
TOTAL PURCHASE [VEP]	$867.57

Make all checks payable to ABC Company Pte Limited
If you have any questions concerning this invoice, contact Finance on phone contact above.

Tax invoice for taxable supplies below $100

Where a VAT registered business supplies taxable goods and services and the value does not exceed $100, a simplified tax invoice can be issued to the purchaser provided it contains the details below:

1. The words 'tax invoice' should appear in a prominent place.
2. Name and Taxpayer Identification Number [TIN] of supplier.
3. The date in which tax invoice was issued and tax invoice number.
4. A description and quantity of goods and services supplied.
5. The unit price, total price of each line item and consideration of the supply.
6. A statement to indicate that the total amount payable is inclusive of VAT.

The simplified tax invoice does not need to include **the recipient details neither does it separately shows the VAT and VAT inclusive price** as per the example below:

XYZ Pharmacy Pte Limited
TIN: 500000000

Lot 20 Lucky Street
Nadi
Phone: 666 XXXX
Fax: 666 XXXX

(2)

TAX INVOICE (1)

(3) INVOICE NUMBER: 240
(3) 03 SEPTEMBER 2023

QUANTITY	DESCRIPTION	UNIT PRICE	TOTAL
1	NUROFEN 200MG TABLETS	$34.95	$34.95
1	PANADEINE FORTE 500/30MG TABLETS	$15.45	$15.45
1	ABSORBENT COTTON WOOL 20G	$2.00	$2.00
1	MASEUR SLIPPERS 41 BLACK	$25.00	$25.00
	(4)	(5)	
		TOTAL PURCHASE (5)	**$77.40**

Price payable is inclusive of VAT (6)

THANK YOU FOR YOUR BUSINESS!

Summary

If the value of the consideration is less than $10.	No requirement to issue a tax invoice unless requested by the purchaser.
If the value of the consideration is between $10 and $100.	Can issue a simplified tax invoice, which does not include the recipient details neither does it separately shows the VAT and VAT inclusive price.
If the value of the consideration is greater than $100.	Must issue a tax invoice and include exempt and zero rated supplies.

Only businesses registered for VAT with FRCS can charge VAT on the goods and services it sells to customers.

When does a VAT registered business start charging VAT?

- From the date the business became registered for VAT with FRCS.
- VAT is charged on the supply of goods and services at a specific time, usually when a sale (supply) takes place. This time is referred to as the **"time of supply"**. A registered business must charge VAT on all goods and services every time it makes a taxable supply, except if it is an exempt supply. The VAT on taxable supply is also known as an **Output VAT**.

What should a business do once registered for VAT?

- Determine the VAT inclusive price of goods and services using the correct VAT rate (15% or zero-rated).
- Display the VAT amount(s) on the invoice as well as other information including the business's Tax Identification Number (TIN).
- Record the transaction in the business VAT account.
- Specify the amount of VAT collected for the tax period in the VAT return.

How to calculate the VAT to be charged?

VAT registered businesses must calculate the price including VAT when charging VAT on goods or services.

Calculating VAT & VAT Inclusive Price (VIP)

Example – VAT Rate 15%

Xixi Homeco Limited, which is registered for VAT, is selling a double door fridge for $2,000 VAT exclusive price (VEP), and needs to calculate the VAT inclusive price. The VAT rate applicable is 15%.

How to calculate VAT portion from a $2,000 VEP if VAT rate is 15%?

VAT = VEP Multiply by 15/100 [15% or 0.15]

$300 = $2,0000 x 15/100

Therefore, Xixi Homeco Limited will charge VAT of $300.00.

CHECK:
VEP = VIP - VAT
$2,000 = $2,300 - $300

How to calculate VAT Inclusive Price (VIP) from VAT Exclusive Price (VEP)?

VIP = VEP Add with VAT **amount**

$2,300 = $2,000 + $300

How is the "time of supply of goods and services" determined?

- The general rule for the time of supply depends on the earlier of the following:
  - o The date **on which** the Tax Invoice is issued.
  - o The date any payment is received.
  - o The date **on which** the delivery of goods and/or services occurs.
- There may be circumstances where the time of supply is "deemed" to take place. VAT registered businesses will have to account for the VAT collected at that time. Examples are set out in the table below:

Details of supply	Time of Supply
Coin or token operated machines.	When the coins or tokens are removed or emptied from the machine.
Layby Sales.	When title of the goods passes to the buyer. This usually occurs when the purchaser makes the last payment to the vendor and takes the goods.
Hire purchase agreements and periodic payments.	When the payment is due or received whichever is the earlier.
Construction industry, where progressive payments occur.	The earlier of three below: • Payment becomes due. • Payment is received. • Tax invoice relating to that progressive payment is issued.

- A VAT registered business must also account for the VAT component on the full value of the goods or services supplied even if it receives goods or services instead of money as payment.

How to account for returned goods?

Returned goods

- When a registered business returns goods to a supplier or a customer returns goods to a registered business, the balance of the payment can be settled by issuing either a credit or debit note.
- If exchanging the goods, for goods of the same value, the registered business does not need to issue a new VAT tax invoice.

Debit and credit notes

- Debit and credit notes must be issued in certain instances.
- A debit note will be issued by the supplier when the tax invoice for the supply has already been issued and the previously agreed consideration is subsequently increased.
- A credit note will be issued by the supplier when the tax invoice for the supply has already been issued and the previously agreed consideration is subsequently reduced.
- A credit note can also be issued by the original supplier when faulty goods are returned by the customer.

Note: Only one tax invoice per taxable supply. Another tax invoice should not be issued to alter the consideration in respect of an original tax invoice issued.

When are debit and credit notes issued?

The following events trigger the need for a VAT registered business to issue a debit note or credit note:

- o A supply of goods or services is cancelled.
- o The nature of the supply of goods or services has been varied or altered.
- o The previously agreed consideration for the supply of the goods or services is altered by agreement with the recipient.
- o Part or all the goods or services supplied are returned to the supplier.
- o The price on the tax invoice was either overstated or understated.

If any of the above circumstances apply, then the VAT registered business that issued a tax invoice in which the VAT charged is incorrect, must issue a debit or credit note, whether or not the VAT registered business accounts for VAT on an “invoice” or “payments” basis. A credit note is not required when a prompt payment (settlement) discount is the reason for the reduction in the consideration, provided the terms of that discount are clearly shown on the tax invoice.

What details must appear on debit and credit notes?

The following details should appear on debit and credit notes:

- The words "debit note" or "credit note" (as the case may be).
- The name, address and Tax Identification Number [TIN] of the vendor.
- The name and address of the recipient.
- The date on which the debit note or credit note is issued.
- The amount by which the value of the supply and the VAT charged has been altered.
- A brief explanation of the circumstances giving rise to the debit or credit note being issued.
- The invoice reference, the original invoice number being referred to, to be stated in the debit or credit note.

Credit note

- Credit note for VAT purpose is issued by a supplier to a customer indicating that the VAT charged on the invoice to which it relates exceeds the VAT that was supposed to be charged.
- The VAT registered business issuing the credit note must decrease its output tax whilst the VAT registered business receiving a credit note must make a decreasing adjustment to its input tax.
- These adjustments must be accounted for in the VAT return for the tax period in which the decrease in consideration occurs, that is, in the tax period in which the credit note is issued.

Credit Note Example

- Aqua Ltd files VAT returns monthly. Aqua Ltd overcharged for widgets sold in the month of August 2023 to Kay Limited and overstated its output tax VAT by $13.04.

CREDIT NOTE

Aqua Limited
Suite 4, 1st Floor
KYC Avenue
Suva

TIN: 5100000000
Date: 6 December 2023

To Kay Ltd
25 Lei Rd
Suva

TIN: 5000000000

Tax Invoice Reference	Description of Goods	Reason for Credit Note	Incorrect VIP Amount	Correct VIP Amount	Net VIP Amount	VAT
11412 Date: 01 August 2023	300mm widgets @ $1 each	Charged for 400 units instead of 300	$ 400	$300	$100	$13.04

- As the credit note issued by Aqua is for the month of December 2023;
  - Aqua must decrease the VAT over paid by $13.04 in its output tax in the December 2023 VAT return.
  - Kay Ltd also files monthly VAT returns. The company has over claimed its input tax credits in its December 2023 by $13.04.
  - As the credit note is issued to Kay Limited in December 2023, Kay Limited must decrease its input tax credits by $13.04 in its December 2023 VAT return.

Debit notes

- Debit note for VAT purpose is issued by a supplier to a customer indicating that the VAT charged on the invoice to which it relates is less than the VAT that was supposed to be charged.
- A VAT registered business that issues a debit note is required to make an increasing adjustment to output tax.
- The VAT registered business receiving a debit note must make an increasing adjustment to input tax.
- These adjustments must be accounted for in the VAT return for the tax period in which the increase in consideration occurs, that is, in the tax period in which the debit note is issued by the vendor.

Debit Note Example

- Aqua Limited sold goods to ABC limited on 01 August 2023 and undercharged ABC Limited for the widgets. Both companies file VAT returns monthly.
- Aqua Limited in its monthly return for August 2023 underpaid its VAT by $13.04.
- Aqua issued its debit note in December 2023.

DEBIT NOTE

Aqua Limited
Suite 4, 1st Floor
KYC Avenue
Suva

TIN: 432 112 3450
Date: 25 December 2023

To ABC Ltd
25 Uba Rd
Suva

TIN: 453 123 4567

Tax Invoice Reference	Description of Goods	Reason for Debit Note	Incorrect VIP Amount	Correct VIP Amount	Net VIP Amount	VAT
11461 Date 01 August 2023	300mm widgets @ $1 each	Charged for 200 units instead of 300	$200	$300	$100	$13.04

- As Aqua issued its debit note in December 2023, it must increase its output tax by $13.04. ABC Limited is entitled to increase its input tax credit by $13.04 for the month of December 2023, the month the debit note was issued.

A VAT registered business which is registered on the “payments basis” will only make the necessary adjustments when payment in respect of the debit or credit note is made or received, whereas a VAT registered business on the “invoice basis” accounts for the debit or credit note upon the issue or receipt of that document.

VAT on discounts

- Discount is an amount or percentage deducted from the normal selling price of a good or service supplied.
- VAT charged on discounts depends on when the discount is received/realised by customer, which can be during the sales transaction (Sales Discount) or after the sales transaction (Prompt Payment Discount).

Sales discount

When offering customers, a discount on the selling price of goods and services, VAT is calculated on the net discounted price.

Example – Sales discount

ABC Limited an electronic shop is giving a 10% discount on every sale of Fisher and Paykel 7.5kg Top Load Clothes Dryer on 20 - 21 November 2023 as part of its 10th year anniversary celebration. The selling price of the dryer (excluding VAT) is $1,800.

VAT charged will be at the prevailing rate on the net discounted price of $1,620, which is $243

- $1,800 - ($1,800 x 10%) = $1,620 [net discounted price]
- $1,620 x 15% = $243

Prompt payment discount

- Where the terms of a prompt settlement discount are stated on a tax invoice, and the conditions relating to the discount will only be met in a subsequent tax period:
  - The supplier must declare output tax on the full consideration excluding the discount; and
  - In a subsequent tax period make the necessary adjustment if customer satisfies the payment terms under the prompt payment discounts.
- It is not necessary for the VAT registered business to issue a credit note under prompt payment discounts.
- Discount given for other reasons apart from prompt payments after the tax invoice has been issued, needs to be captured in the credit note.

VAT on rebates

A rebate is being referred to as an amount paid by way of reduction, return, or refund from suppliers when certain conditions are satisfied. VAT on rebates depends on the circumstances in which the rebate is given.

Rebates for certain purchase amounts

- A VAT registered business may give a volume rebate to its customers for making purchases above a certain dollar value amount.
- When this occurs the VAT registered business issues a credit note to the customer to reduce the selling price and the VAT amount for past purchases.
- **If the customer is a VAT registered business, then it will make corresponding adjustments** in its VAT return to reduce the input tax credits claimed for the period covered by the credit note.
- Volume rebates can be given in form of:
  - **Rebate given to reduce value of past purchases -** equivalent to discount given for past purchases whereby seller must issue credit note and both seller and buyer to make necessary adjustments in the VAT return; or
  - **Rebates used to offset future sales** - the VAT registered business should charge and account for VAT on the net value of that sale (i.e. after deducting the rebate).

Conditional rebates given to customers

- When a customer needs to meet certain obligations imposed by a registered business to be entitled to a rebate, the customer is providing a separate supply of services to the registered business.
- This is applicable even if the rebate is based on the customer's purchase volume. If the customer is VAT registered, it should account for VAT and issue a tax invoice to the supplier.
- For example, ensure a certain level of shelf space is dedicated to the supplier's brand or undertake advertising and marketing activities.

VAT on gifts

- **No** VAT is charged on gifts given to customers however, the VAT registered business giving the gift will have to account for the VAT.
- Consideration in money for gifts is deemed to be the open market value.

CHAPTER 8 VAT ON VOUCHERS

What is a voucher?

- A voucher is a document that is usually purchased for consideration (but not always) that entitles the holder to receive certain goods or services up to a stated value.
- Vouchers can either be in digital or paper copy format such as gift certificates or coupons.

Different types of vouchers

In general, there are two types of vouchers:

a. Multi-Redemption Voucher (MRV).
b. Non-Multi-Redemption Voucher (Non-MRV).

Multi-Redemption Voucher (MRV)

For a voucher to qualify as a MRV it should meet the following criteria:

- The voucher is sold for a sum of money.
- The voucher gives the customer a right to redeem goods or purchase services up to the amount stated on the voucher.
- The voucher must be presented or utilised in exchange for the goods and/or services acquired.
- The voucher should not be a product voucher which can only be used to purchase specific goods or services.

When to account for VAT on Multi-Redemption Voucher (MRV)?

VAT is recognized upon redemption of a MRV if the goods or services supplied are subject to VAT.

Sale of own voucher

An issuer of MRV who is also the supplier of the goods and services to be redeemed.

Example: Sale of own voucher

Mr. B owns an electronics store and sells MRVs to his customers. Mr. B will account for VAT when the MRVs are redeemed for the goods and/or services at his store.

Ms. Z bought a MRV worth $200 to gift to Ms. X on her birthday. Ms. X redeemed this Gift Voucher at Mr. B's electronic store in exchange for a smart phone of $200.00.

Mr. B will account **15% VAT** $26.09 on this transaction upon redemption of voucher
3/23 x $200.00 = $26.09 VAT

Sale of vouchers by intermediaries

Retailers that issue vouchers may sell vouchers to intermediaries such as distributors, dealers or retailers who then sell these vouchers to consumers while earning a mark-up or commission.

Example: Sale of vouchers by intermediaries

a) For Businesses acting as Agents

Ms. Y sells the MRV on behalf of Mr. B and he pays her **$90 as a distribution** fee. Hence, Ms. Y is considered as an agent.

How should Ms. Y account for VAT in this instance?
Ms. Y will declare **15% VAT on the $90 distribution fee** which is **$11.74:**
3/23 x $90.00 = $11.74 VAT

For businesses acting as a principal

Vouchers may also be sold by agents acting on behalf of the principal (retailer) with the aim of earning a commission.

Example: For businesses acting as a principal

Ms. H purchased MRVs from Mr. B and sells them to her customers. She is considered a principal.

How does Ms. H account for VAT in this instance?

Ms. H sells the MRVs for $150 to her customers. She earned a margin of $60. Ms. H has to declare **15% VAT** on the margin of $60 which is **$7.83**

3/23 x $60.00 = $7.83 VAT

IMPORTANT NOTE

VAT is only applicable to the margin earned. If the total proceeds from the sale of MRVs are lower than or equal to the total purchase cost of MRVs there is no VAT as the profit margin is **zero or less than zero.**

Non-multi-redemption vouchers (Non-MRVs)

This includes any vouchers that do not qualify as MRVs. Some examples of Non MRVs are;

a. Vouchers which are given away free.
b. Product vouchers.
c. Discount vouchers.

When to account VAT on Non-MRV?

In this section we will look into when should a sale of Non MRV be recognized for VAT purposes.

Vouchers given away free

At the Point of Supplying Vouchers

No VAT is chargeable when a voucher (including product voucher, discount voucher, voucher with monetary value stated or stored) is given away for free.

At the Point of Redeeming Vouchers

Vouchers Redeemed [Other than Associates]	Vouchers Redeemed by Associates
Output tax is recognized upon redemption: - If relating input tax had been previously claimed; then - Output tax will be the equivalent Input tax.	Output tax is recognized upon redemption: - If relating input tax had been previously claimed; then - Output tax will be at open market value.

Product vouchers

A product voucher entitles recipient to specific goods and/or services from retailer (e.g. a voucher for a kettle worth $100, or a voucher for 8 facial sessions). Product vouchers is treated as a supply of that goods or services when vouchers are redeemed. The payment received for product voucher is a non-refundable pre-payment for the goods or services to be supplied.

Example – Product voucher

Anchor Sports Pte Ltd sold vouchers with monetary value of $150 each for 1 athlete pack that consists of 1 matching running shorts and vest, 1 running shoes and socks and a training bag with the 1 water bottle. Lady Cee bought 2 vouchers and gift them to her 2 nephews who redeemed these vouchers within a week from the day it was bought by their aunt.

Anchor Sports Pte Ltd will recognize VAT as and when the 2 nephews redeem these vouchers in exchange of the goods. There will be no VAT claimed by the 2 nephews as they are not registered for VAT.

Discount vouchers

A discount voucher entitles a recipient to enjoy reduction on the purchase price of goods or services. When the voucher is later used to obtain a discount on the purchase of goods or services, VAT is chargeable on the discounted price (i.e. gross value less discount) of the goods or services purchased.

Example: Discount vouchers

Uluiqalau Pte Ltd offers a **25% discount** voucher to its customers on a random basis. Ruve, a recipient of the voucher uses the voucher to purchase a pair of shoes from Uluiqalau Pte Ltd valued at **$200 for $150.**

Uluiqalau Pte Ltd will account VAT on the discounted price ($150) when voucher is redeemed.

Reporting Voucher Sales and Purchases

- Generally, when vouchers are sold it is not recognized for VAT purposes both by the seller and purchaser.
- Vouchers are brought into the VAT scope when vouchers are redeemed or expire.
- However, instances when vouchers are sold at a price that is more than its stated monetary value it will be deemed as two separate supplies:
  - The excess value will be recognized at the point of sale of voucher.
  - The monetary value stated on the voucher VAT will be recognized as and when the voucher is redeemed.
- Important to note that **No VAT** to be accounted for **if the vouchers can only be used to redeem for zero-rated or exempt supplies.**

Example: Voucher Selling Price is More that Monetary Stated Value

Rabbit Pte Ltd [Seller] sold 10 Vouchers to Penguin Co Ltd [Purchaser] for $100 each. The- monetary value stated on these vouchers is $80.00 therefore Rabbit Pte Limited is selling a voucher at a $20 profit.

What will happen at the point of sale of vouchers?

- Seller recognize VAT of $26.09 for the sale of 10 vouchers at $100 each
- Purchaser will claim VAT input of $26.09 being the $20 extra paid for the 10 vouchers purchased.

Voucher Selling Price – Voucher Monetary Value = Sales

$100.00 - $80.00 = $20.00

$20.00 x 10 [vouchers] = $200.00

$200.00 x 3/23 = $26.09

Continued on the next page:

What will happen at the point of redemption of vouchers?
Assuming that the vouchers were all redeemed at the same time

- Seller recognize VAT of $104.35 when 10 vouchers each holding a monetary value of $80.00 are redeemed.
- Purchaser will claim VAT input [if registered for VAT] of $104.35 when they redeem the 10 vouchers in exchange for goods/services

Voucher Monetary Value x #Vouchers = Sales
$80.00 x 10 = $800.00
$800.00 x 3/23 = $104.35

Expired Vouchers

- Vouchers are considered to be expired due to non-redemption, mutilation or as a result of being lost or misplaced.
- Expired vouchers are to be recognized for VAT purposes as and when it expires.
- For Open dated vouchers that has no expiry date, the retailer must recognize VAT on any unredeemed vouchers by the end of the 6 months from the date it was issued.

Summary

Differential Factor	Multi-Redemption Voucher ("MRV")	Non-Multi-Redemption Voucher ("Non-MRV")
Sale of voucher	Must be sold for a consideration.	Need not be sold for a consideration.
Types of goods and/or services that can be redeemed	Can be used to redeem a range of goods and/or services. No reference is made to any particular goods and/or services to be redeemed.	Can be used to redeem only specific goods and/or services. Reference is made to the specific goods and/or services to be redeemed.
VAT Treatment	Sale of voucher and redemption of goods and/or services are treated as 2 separate supplies. (a) When voucher is sold: i. at or below specified value, no VAT needs to be accounted for. ii. above specified value, VAT has to be accounted for on the excess payment received. (b) When voucher is redeemed VAT has to be accounted for on the value of the redeemed goods and/or services plus any additional payment received.	
Expired or Unredeemed Vouchers	Supplier of the Vouchers have to account for VAT Sales on the unredeemed vouchers. No VAT needs to be accounted for if the Vouchers can only be used to redeem for zero-rated, exempt or out of scope supplies.	
Example	$10 shopping vouchers, stored value cards, prepaid gaming and calling cards.	Free vouchers, discount vouchers, product vouchers, voucher for a spa treatment and parking coupons.

For more details on Vouchers, please refer to the *Standard Interpretation Guideline 2021-06 Tax Treatment on Vouchers*

What are input tax credits?

- It is the VAT paid by a VAT registered business to another VAT registered business, on any goods or services acquired for use in the business.
- The input tax credit will be deducted from the VAT collected from customers when calculating the VAT payable or refundable.
- A VAT registered business can claim VAT input tax credits if the following conditions apply:
  - The goods and/or services purchased must be used solely or partly in the business, and the purchase does not relate to making exempt supplies.
  - The purchase price includes VAT.
  - The purchaser is liable for payment on the items or services purchased.
  - The VAT registered business must obtain a tax invoice from the vendor.
  - If the goods are imported, a bill of lading or other customs documentation will be required to be retained including a receipt for the payment of Custom Import VAT.

How to calculate input tax credits?

A VAT registered business is required to calculate the amount of VAT the business paid on goods and services it acquired for use in the business, in order to claim input tax credits to offset the VAT payable.

Calculating VAT & VAT Exclusive Price [VEP]

Example – VAT rate 15%

Mr. E purchased an electric frying pan for use in his restaurant business at a VAT inclusive price (VIP) of $180.00 at the VAT rate of 15%. The frying pan always remains in the restaurant kitchen.

How to calculate VAT portion from a $180.00 VIP if VAT rate is 15%?
VAT = VIP Multiply by 3/23
$23.48 = $180.00 x 3/23

CHECK:
VIP = VEP + VAT
$180 = $156.52 + $23.48

Therefore, the VAT amount Mr. E can claim as input tax credit is $23.48.

How to calculate VAT Exclusive Price (VEP) from VAT Inclusive Price (VIP)?
VEP = VIP Multiply by 20/23
$156.52 = $180.00 x 20/23

Typical examples of deductible expenses

The following are typical examples of expenses incurred for the purpose of making taxable supplies where input tax credits may be deducted:

- Trading stock and raw materials purchased.
- Manufacturing overheads incurred.
- Water, electricity, gas and telephone charges used at the business premises and for business purposes.
- Administrative overheads including audit and accounting fees.

- Marketing and advertising expenditure.
- Office furniture, computer equipment as well as other consumables used in operating the business.
- Delivery vehicles.
- Expenses in relation to leasing retail/wholesale and/or factory premises.
- Production machinery and maintenance costs.
- Professional fees such as those charged by management, business and marketing consultants.

Note this list is not exhaustive

How is the input deduction claimed from FRCS?

- There is a provision on the VAT return form to claim from FRCS for input tax credits in relation to business related purchases and expenses made during that taxable period, and where the VAT registered business holds a tax invoice and/or a receipt from Customs clearly stating the VAT paid at the time the goods were purchased from local suppliers or cleared for customs purposes or imported goods.
- For a VAT registered business, VAT deductions are set off against the business's output liability which is calculated in Section for *Purchases and Expenses* of the VAT return form.
- The VAT return form is filed in accordance with the taxable period nominated at the time of registration, either monthly, 3 monthly or yearly.

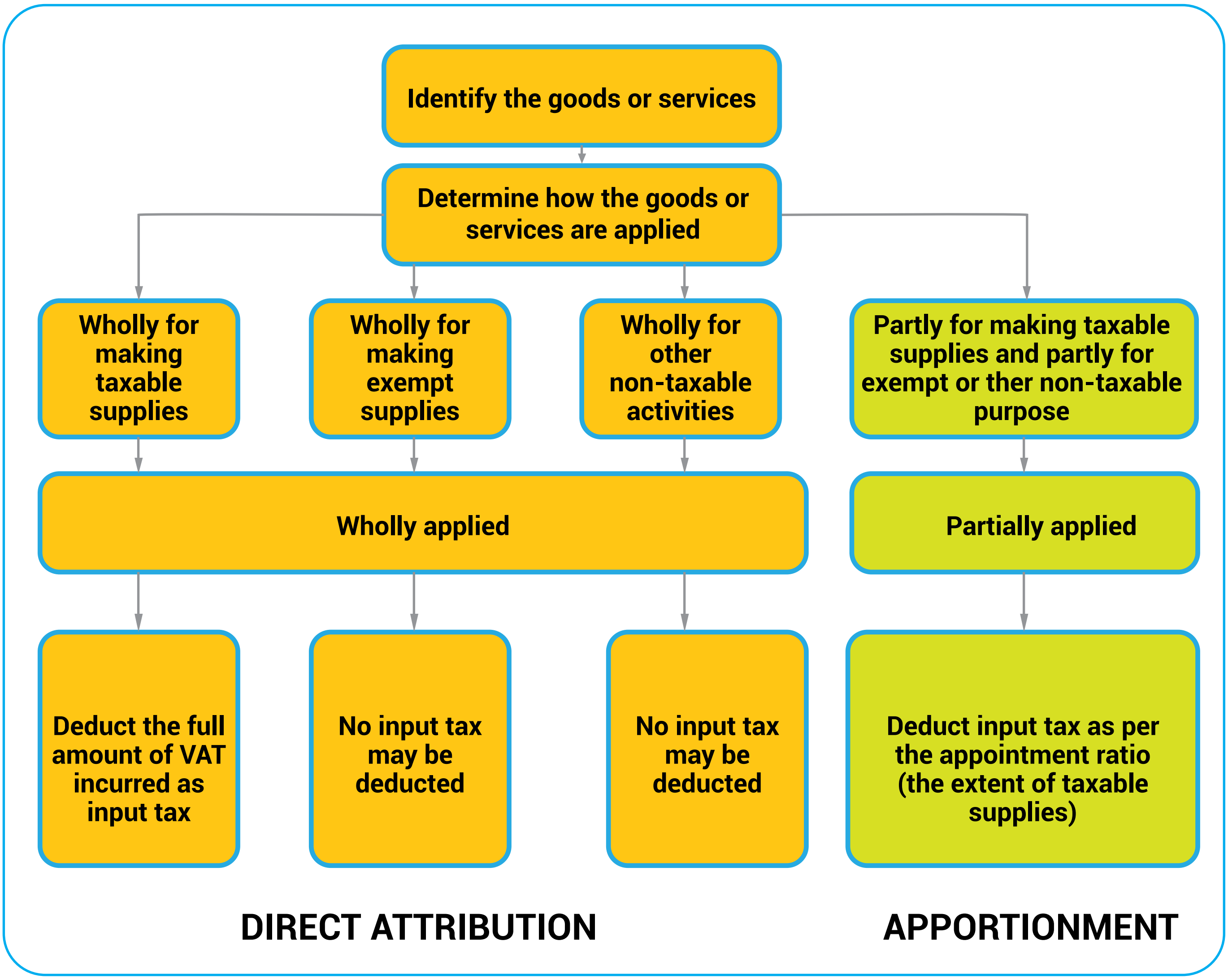
When and what to deduct?

The following factors have an effect on the amount of input tax credits or credit adjustments a VAT registered business is entitled to claim on the business's VAT return:

- The extent to which the goods or services acquired will be used for taxable purposes.
- The tax period in which the business is entitled to claim its input tax deduction is determined by the accounting basis that the VAT registered business uses. A VAT registered business can account for VAT using either the "invoice" or "payments" basis.
  - Under the "invoice" basis of accounting, (also referred to as accrual accounting) VAT registered businesses may deduct the input tax credit in the tax period in which the tax invoice is issued from the supplier.
  - Under the "payments" basis, (also referred to as cash accounting) a VAT registered business may only deduct an input tax credit in the tax period when the actual payment was made. This is further explained in *Chapter10* "Filing and Paying Tax".

Apportionment

- Where goods or services are imported or purchased locally for taxable and non-taxable purposes (mixed purposes), only a portion of the VAT or notional input tax credit may be deducted.
- When goods or services are not acquired exclusively for taxable supplies, the VAT registered business will be required to determine that proportion that relates to taxable supplies, exempt supplies and other non-taxable activities.
- Once it is clear which of the expense must be apportioned, the next step is to calculate the proportion of VAT which may be deducted as input tax credit.
- This is referred to as the apportionment ratio and is expressed as a percentage.
- Although there may be a few exceptions, the most common expenses that need to be apportioned are the general overheads of the business.
- The diagram on the next page illustrates the concepts of direct attribution and apportionment.



Example: Direct attribution taxable supplies
Veiyasana Trust buys a building which costs $1,000,000 (including VAT). The building consists of units which are to be rented out to businesses as office space.

Result:
Although the Veiyasana Trust makes both taxable and exempt supplies, the building was acquired exclusively for making taxable supplies (letting of property as offices). The expense is wholly attributable to making taxable supplies and Veiyasana Trust can deduct the full amount of **15% VAT** charged of **$130,434.78** as input tax credit **($1,000,000 × 3/23 = $130,434.78)**.

When business cannot claim an input tax credit?

There are circumstances or scenarios in which input tax is not an allowable deduction which may include:

- If business is not registered for VAT.
- Expenses relating to exempt supplies.
- Purchases that are used for private or domestic purposes.
- The suppliers are not registered for VAT.
- Wages paid to staff (there is no VAT on wages).
- If the claim does not hold a valid tax invoice; or
- Where the time limit for claiming an input tax credit for the purchase has expired. Generally, input tax credits are required to be made no later than 3 years after the end of the taxable period.

Example: Time restrictions for claiming VAT input

If a VAT registered business that files monthly VAT tax returns, makes a purchase on August 2023, the latest that the VAT registered business can claim the input tax credit in relation to that purchase is in the VAT return for August 2026 which is required to be filed with FRCS no later than 30 September 2026.

Important note

If the VAT registered business has contacted the vendor and requested a tax invoice and the vendor does not supply a tax invoice when requested, the VAT registered business is encouraged to contact FRCS for follow up action.

CHAPTER 10 FILING & PAYING VAT

All VAT registered businesses are required to file a VAT return, on either a monthly, three monthly or yearly basis, referred to as taxable periods. The filing cycle is based on the annual gross turnover of the VAT registered business. The VAT return is a form, reporting all transactions (sales, VAT adjustments, supplies and purchases) for the taxable period.

Taxable periods

There are 3 types of filing cycles based on taxable periods. As part of the VAT registration process, registered businesses will nominate their filing cycle based on the expected annual gross turnover.

The CEO upon application by a registered business will then determine the taxable period based on the annual gross turnover. If gross turnover exceeds or expected to exceed $300,000 the registered business will be approved to file and pay VAT on a monthly basis. If the annual gross turnover does not exceed or expected not to exceed $300,000 the registered business will be approved to file and pay VAT on three monthly or yearly basis.

Monthly

- The VAT return must be filed monthly either before or on the last day of the following month accompanied by payment of the VAT collected.
- For example, if a registered business is filing and paying VAT collected for transactions that took place in August 2023, the due date of the VAT return is on or before 30 September 2023.

Three (3) monthly

- Filing dates will be either on or before the last day in the first month of the next quarter.
- For example, if a taxpayer is filing for the months of January-March (quarter 1), 2024 then the due date of the VAT return will be on or before 30 April, 2024 when payment of the VAT collected will also be due.

Yearly

- If the annual gross turnover is **less than $300,000** the registered business will be required to file a VAT return and pay VAT annually.
- Filing dates will be either on or before the last day in the first month of the following year.
- For example, if a taxpayer is filing for the calendar year, 1 January to 31 December 2023, then the due date of the VAT return and payment will be on or before 31 January, 2024.

When should VAT be accounted for and reported?

- There are two recognized accounting methods used to calculate VAT:
  i. **"Invoice basis"** also referred to as **"accrual"** accounting; and
  ii. **"Payment basis"** also referred to as **"cash"** accounting.

- The main difference between invoice and payment basis is in the timing of recognizing revenue and expenses.
  i. The payment basis **(cash accounting method**) provides recognition of revenue and expenses when the funds actually change hands. It is generally suitable for small businesses.
  ii. The invoice basis **(accrual accounting method)** recognizes revenue and expenses when they are **"incurred"**, usually when the invoice is issued by the seller to the purchaser. The

accrual method provides a more accurate view of the accounts of the business as the financial statements report **"accounts payable"** and **"accounts receivable"**.

- A VAT registered business is only able to use the "payments basis" method if it sought prior approval by the CEO to do so. Approval will only be granted if the registered business is:
  - A public or local authority, or a non-profit body; or
  - The total value of the registered business's taxable supplies during a 12-month period is less than $100,000.

Generally, a registered business will account for VAT on an Invoice basis.

Example: Invoice/Accrual Basis & Payment/ Cash Basis

Ms. S sold cartons of sweet biscuits at a cost of **$1,090** which is inclusive of **VAT of $142.17** on 14 August 2023 on credit. Payment was received on 18 September 2023. Ms. S files on a monthly basis and will account VAT as follows:

Invoice/Accrual Basis	Payment/ Cash Basis
Ms. S will report the sale and the VAT component collected in relation to the sale in August 2023 VAT return as that was when the invoice was issued.	Ms. S will report the sale and the VAT component in relation to the sale in the September 2023 VAT return as that is when the payment was received.

Invoice/Accrual Basis	Payment/ Cash Basis
The earlier of the following: • A tax invoice is issued by the supplier or the recipient; or • Any payment is received by the supplier; or • When the delivery of the goods and services takes place.	The actual date payment made by the purchaser to the supplier regardless of when invoice was issued or when goods or services was supplied.

What to report in a VAT return?

- The sale of all goods and the supply of all services including taxable, exempt and zero rated sales or supplies.
- All purchases of goods and services that are used by the registered business in order to make taxable or zero-rated supplies.
- Registered businesses can make VAT Input/Output adjustments to their VAT returns as required, as the calculation of VAT payable/refundable is based on self-assessment.
- Examples of transactions where VAT output adjustments maybe required are listed below:
  - Goods and/or services taken for private use.
  - Goods and/or services supplied for a non-taxable use other than private use.
  - Barter transactions.
  - Fringe benefits provided to employees.
  - Bad debts recovered.
  - Insurance indemnity payments received from an overseas insurance provider.
  - Assets retained at the time of cessation of the business.
  - Debit notes issued.
  - Credit notes received.
  - VAT payable due to a change in accounting basis, eg changing from payment basis to invoice basis.

- Examples of VAT Input Adjustments:
  - Over/under claiming of the VAT component on the purchase of goods and services used in the business. For example, incorrectly apportioning the VAT component in relation to purchases not wholly used in making taxable supplies.
  - Bad debts written off.
  - Debit notes received.
  - Credit notes issued.
  - VAT refundable due to change in accounting basis.

How to file a VAT return?

To file a VAT return, businesses can follow the steps outlined for *Nil VAT Return*, *Payable/Refund VAT Return* and file through TPOS *https://tpos.frcs.org.fj/taxpayerportal#/Logon*.

Correcting errors in VAT returns

- Errors identified when the VAT registered business is filing its VAT return in TPOS *https://tpos.frcs.org.fj/taxpayerportal#/Logon* must be corrected in order for the filing process to continue. A VAT return will not be recorded as being filed unless an email confirmation message is received.
- Errors identified after the VAT return has been filed and processed in TPOS may be amended. Errors may include under/over declared sales or claiming inputs in the wrong months.
- Follow the *Steps to amend a VAT return.*

Late returns and penalties

- Late lodgment of VAT returns attracts a **20% penalty on the amount** of the unpaid tax and **5% for every subsequent month** of default.
- Late payment of VAT returns attracts a **25% penalty of the amount** of unpaid tax and **5% for every subsequent month** of default.
- A non-filed return attracts a **$1 penalty for each day of default**.

CHAPTER 11 CANCELLATION OF VAT REGISTRATION

When can a registered business cancel its VAT registration?

- A VAT registered business can apply to FRCS to have its VAT registration cancelled.
- The VAT registered business must submit its request to cancel its VAT registration within 7 consecutive days of ceasing supply of all taxable activities.
- Examples of reasons to request cancellation are listed below:
  - If the gross turnover of the business is less than the VAT threshold provided the business has been registered for a period of 12 months.
  - The sale of the business to another person.
  - The business ceases operations and is completely closing down.
  - A change in business structure – A registered business must cancel its VAT registration when there is a change in structure such as sole trader changing to a company and must reapply for VAT registration.
- A VAT registered business engaged in the following activities can request VAT registration cancellation at any time:
  - The supplying of produce.
  - Operating a non - profit body.
  - Registered for VAT in error.

Effective date of cancellation

The cancellation date will be effective from the last day on which the registered business ceased all its business activities. This information on the effective date will be on the *Deregistration Approval Letter*.

How to submit a VAT registration cancellation request?

To submit the request of VAT registration cancellation one should follow the *Online VAT Deregistration Step* by filing it through TPOS *https://tpos.frcs.org.fj/taxpayerportal#/Logon*.

Deregistration scenarios

Example 1: Gross sales is less than VAT threshold

XYZ Limited was registered on 1 January 2022 with its financial year ending on **31 December 2022.** It has been registered for VAT since **1 January 2022** and was granted approval by FRCS to file on a yearly basis.

In the 2022 and 2023 VAT returns, XYZ Limited had declared gross sales of **$40,000** and **$65,000** respectively. Based on the VAT trend for two years, the company is expecting sales for 2024 will also **not exceed $100,000**.

Can XYZ Limited request for VAT de-registration?

Yes, XYZ Limited can request for VAT de-registration since its annual gross turnover has not exceeded the **VAT threshold of $100,000** and the company has been registered for **more than 12 months.**

Example 2: Business ceasing operations

- Mr. R has been operating a sole trader business 'R's Fastfood and Takeaways' in Rakiraki since 2015 with his financial year ending on **31 December**. The business was registered for VAT on **1 January 2015**. On **3 January 2024**, Mr. R decided to close his business. The last day of business was on 31 December 2023.
- At the financial year ending 31 December 2023, the business had the following assets on hand:

Asset	Value as at 31/12/23 ($)
Furniture	50,000
Kitchen Equipment	25,000
Motor Vehicle	37,000
Closing Stock	43,000

Can Raj request for VAT de-registration?

Yes, Mr. R can apply to deregister from VAT via TPOS https://tpos.frcs.org.fj/taxpayerportal#/Logon since he will no longer be making any taxable supplies.

What will happen to the assets when business ceases operations?

- The assets available on hand on the last day of business will be deemed to be supplied by the business. Hence, the business will be required to pay VAT on the supply of these assets on cessation.
- VAT (at the rate prevalent at the time) will be calculated on the value of the assets deemed to be supplied on the date the business ceases operations. The value of the assets will be the lesser of either:
  a. the cost of those goods; or
  b. the open market value of those goods.

Example 3: Business ceasing operations

- Using the same information in Example 2 above with the additional information tabulated below.
- Calculate the value of the assets that is deemed to be supplied by 'R's Fastfood and Takeaways' when he de-registers from VAT in Jan 2024.
- The value of the taxable supplies is $55,000, that is Furniture $20,000; Kitchen Equipment $5,000; Motor Vehicle $10,000; and Closing Stock $20,000.
- VAT Payable is $7,173.91, that is; $55,000 x 3/23 = $7,173.91 since the VAT rate prevailing is 15%.

Asset	Value as at 31/12/23 ($)	Cost ($)	Open market value ($)
Furniture	50,000	60,000	20,000
Kitchen Equipment	25,000	27,000	5,000
Motor Vehicle	37,000	40,000	10,000
Closing Stock	43,000	43,000	20,000

APPENDIX

A. References

1. Value Added Tax Act 1991

B. Weblinks

1. **Online Filing Steps – When filing a VAT return VAT registered business may follow the steps in the following as assistance when filing online;**

Filing a Payable/Refundable VAT return	Filing a NIL VAT return	Filing an Amendment VAT return
https://www.frcs.org.fj/wp-content/uploads/2022/12/Filing-Payable-VAT-Return.pdf	https://www.frcs.org.fj/wp-content/uploads/2022/12/Filing-NIL-VAT-Return.pdf	https://www.frcs.org.fj/wp-content/uploads/2022/12/Filing-Amendment-VAT-Return.pdf

2. **VAT Online Registration and Deregistration – To assist taxpayers that wish to register for VAT do follow steps in (a) and for VAT registered businesses that wish to deregister from VAT it should follow steps in (b) below;**

(a) VAT Registration Steps	(b) VAT Deregistration Steps
https://www.frcs.org.fj/wp-content/uploads/2022/12/Online-VAT-Registration-Steps.pdf	https://www.frcs.org.fj/wp-content/uploads/2022/12/Online-VAT-Deregistration-Steps.pdf

3. **Confirmation and Approval Letters – On any submission of application of returns on the TPOS there will be Confirmation letters received. When one registers or de-registers from VAT, a Confirmation/Approval letter is issued. Sample is attached below;**

(a) VAT Registration Confirmation Letter	(b) VAT Deregistration Approval Letter
https://www.frcs.org.fj/wp-content/uploads/2022/12/VAT-Registration-Confirmation-Letter.pdf	https://www.frcs.org.fj/wp-content/uploads/2022/12/Deregistration-Approval-Letter.pdf

4. **Standard Interpretation Guideline [SIGs] – the guidelines which are aslo available on FRCS website has more details of the subject matter. Below are two SIGs;**

Tax Treatment on Vouchers	Produce Supplier
https://www.frcs.org.fj/wp-content/uploads/2022/12/SIG-2021-06-Tax-Treatmentof-Vouchers.pdf	https://www.frcs.org.fj/wp-content/uploads/2022/12/SIG-2018-Produce-Supplier.pdf

5. **Tax Invoices – Both of the sample below is just to give businesses the idea on what should be reflected in the tax invoices.**

Tax Invoice Above $100	Tax Invoice Below $100
https://www.frcs.org.fj/wp-content/uploads/2023/10/Oct-18-Tax-Invoice-Sample-ABC-Company-Pte-Limited-above-100.pdf	https://www.frcs.org.fj/wp-content/uploads/2023/10/Oct-18-Tax-Invoice-Sample-XYZ-Pharmacy-Pte-Limited-below-100-Jul-2023.pdf

6. **VAT Calculator – this excel is to assist businesses in preparing the VAT return to understand how each line of the form works. This can also be used as a form to check if the payable or refund reflected on the "Summary Page" of the VAT return during online filing is correct.**

VAT Calculator
https://www.frcs.org.fj/wp-content/uploads/2023/08/VAT-Calculator.xlsx

7. **Goods & Services subject to 0% VAT effective 01 August 2023. Do refer to the documents below for more information**

Goods & Services Subject to 0% VAT
https://www.frcs.org.fj/wp-content/uploads/2023/08/Draft-Public-Notice-2023-2024-National-Budget-Zero-Rated-VAT-Items.pdf

8. **The listing below provides further breakdown of the goods and services and its correct application of VAT, effective from 01 April 2022 to 31 July 2023.**

Goods & Services Subject to 15% and 0%
https://www.frcs.org.fj/wp-content/uploads/2022/06/List-on-VAT-Zero-Rated-Products-and-15-VAT-Goods-and-Services.pdf

9. **List of VAT Registered Taxpayers – this list is also available on** *FRCS website***, below**

VAT Registered Taxpayers
https://www.frcs.org.fj/wp-content/uploads/2023/07/VAT-Active-Taxpayer-Listing-24th-July-2023.pdf

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For more information, contact:
324 3000 or 1326 or info@frcs.org.fj
www.frcs.org.fj

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