STANDARD INTERPRETATION GUIDELINE 2026 - 05

VAT REFUND - RECONSTRUCTION OF HOMES DAMAGED BY TERMITES
SECTION 70(D) VALUE ADDED TAX ACT 1991

This Standard Interpretation Guideline (“SIG”) sets out Fiji Revenue and Customs Service’s (“FRCS”) policy and operational practice in relation to VAT refunds on reconstruction projects.

It is issued with the authority of the Chief Executive Officer (“CEO”) of FRCS who is also the Comptroller of Customs and Excise.

All legislative references in this SIG are to the Value Added Tax Act 1991.

This SIG is in effect from 1 August 2025.

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PURPOSE

1. This SIG provides practical guidance on the VAT refund scheme for the reconstruction of homes damaged by termites under Section 70D Value Added Tax Act 1991 (VAT Act).

2. The incentive is available from 1 August 2025 and applies to qualifying capital expenditure incurred on or after this date. VAT refunds will be processed in accordance with the VAT Act and conditions set out in this Guide.

INTRODUCTION

3. The VAT refund scheme provides tax relief for individuals whose homes are affected by termite infestation.

4. The features of the scheme are as follows:

a) it is available to a person who has paid VAT on expenses incurred to reconstruct a home damaged by termite infestation;
b) the termite infestation destruction must be certified by the Biosecurity Authority of Fiji (BAF);
c) the expense must be capital in nature;
d) the refund will be based on VAT paid from 1 August 2025 onwards;
e) the refund amount will be the lesser of two values:

- VAT included in up to $120,000 worth of reconstruction costs; and
- VAT included in actual reconstruction costs.

5. If the contractor is registered for VAT, the total charge for reconstruction will include VAT.

6. The refund amount will be based on valid tax invoices for goods and services acquired for the reconstruction but is subject to certain limits. This is discussed further in paragraph 17.

7. To apply for a VAT refund, an eligible person must submit a claim in the approved form through the FRCS Taxpayer Online Service (TPOS).

8. There is no restriction on the number of times an eligible person may make a claim for qualifying reconstruction projects. This means that claims are allowable for multiple properties. However, for co-owned properties, only one of the owners may apply.

9. The examples used throughout this SIG are merely illustrative. They do not cover the infinite number of factual scenarios that may arise. The relevant legislative provisions must be considered and applied to each case on its particular facts. That is, conclusions should not be drawn by determining whether the facts of a particulars case may be analogous with particular examples, but rather on the basis of applying the correct tests established by the law.

10. The full text of the legislative provisions is contained in the Appendix.

LEGISLATIVE ANALYSIS

11. Section 70D of the VAT Act provides the legal basis for the refund of VAT paid on expenses of a capital nature incurred in the reconstruction of residential premises damaged by termites.

12. For VAT refund administration purposes, the following terms are used in this SIG:
"eligible person" - this means an individual who solely or jointly owns one or more residential premises damaged by termite infestation;
"residential premises"- this means any residential house, apartment or structure which is occupied by family or other individuals.

13. To enable the CEO to determine the extent to which expenses were incurred for capital reconstruction, the eligible person must provide the following:
    - confirmation from the BAF on the termite infestation and damage to the residential premises;
    - details of the reconstruction (e.g. project plan, house plan); and
    - tax invoices.

14. The provision is effective from 1 August 2025 therefore only applies to VAT paid from 1 August 2025.

EXAMPLE 1 - Reconstruction before 1 August 2025

Scenario 1
Mr. A acquired a residential property in 2005 which he occupied with his family. The premises was damaged by termite infestation in December 2024 and work on reconstruction completed in June 2025.

Does Mr A qualify for a VAT refund?

CEO's position
No. To qualify for a refund the following conditions must be met:
1. the house is owned by the applicant and used as a residence;
2. the applicant holds a valid BAF certificate.
3. refund claim is in respect of VAT paid on capital reconstruction expenses incurred from 1 August 2025.

Although Mr A's house was damaged by termites and reconstruction works were of a capital nature, the VAT expense was incurred before 1 August 2025.

Scenario 2
Mr. B acquired a residential property in 2005 which he occupied with his family. The premises was damaged by termite infestation in December 2024 and reconstruction commenced in May 2025. Work on reconstruction was completed in December 2025.

Mr B was able to obtain a BAF certificate in August 2025.
Does Mr B qualify for a VAT refund?

CEO's position
No. The BAF certificate was not obtained before the reconstruction commenced therefore Mr. B does not qualify for a VAT refund.

APPLICATION PROCESS

15. An eligible person must have a valid Taxpayer Identification Number.

16. Refund applications are to be submitted through the FRCS Taxpayer Online System (TPOS). Taxpayers facing difficulties can contact FRCS for assistance.

17. Applications must be supported by original tax invoices and other documents the CEO requires.

18. Processing of applications will include verification of documents and site inspection of properties before the refund is released. The intention is to eliminate any possible fraudulent claims.

19. For buildings in rural areas e.g. on mataqali land, a letter from the mataqali head (*"Turaga ni Koro") will* be required to confirm completion of reconstruction.

REFUND CLAIM DUE DATE

20. In general, the CEO is not required to refund any tax to an eligible person within 3 years after the time of supply of the goods or service.

21. For this refund scheme, the time of supply will be the date in which the project is completed, as shown in the examples below.

Date project completed	**Due date to submit refund claim**	**Date filed**	**Validity**
20 March 2026	20 March 2029	20 March 2029	Valid as refund claim made within the 3-year period
20 March 2026	20 March 2029	21 March 2029	Invalid as refund claim made after the 3-year period

REFUND CALCULATIONS

22. The amount of VAT that can be refunded to an eligible person is limited to the lesser of the following:
    (a) 1/9 of $120,000 (where the VAT inclusive cost of reconstruction is more than $120,000); and
    (b) 1/9 of the VAT inclusive cost of reconstruction.

23. This means that the maximum refund available under the refund scheme is $13,333.33 (1/9 x $120,000) if the cost of reconstruction is more than $120,000. This can be illustrated as follows:

Scenario	**VAT paid by eligible person ***	**VAT refundable ****
A	($210,735 x 1/9) = $23,415.00	($120,000 x 1/9) = $13,333.33
B	($116,491 x 1/9) = $12,943.44	($116,491 x 1/9) = $12,943.44
C	($80,506 x 1/9) = $8,945.11	($80,506 x 1/9) = $8,945.11

* The VAT paid column shows the capital reconstruction expense and the VAT

component. The tax fraction (1/ (9) is explained in Appendix 2)
** The VAT refundable column shows the maximum VAT refundable.

EXAMPLE 2 – Refund limit

Scenario 1
Mr. C acquired a residential property in 2005 which he occupied with his family. The premises was damaged by termite infestation in December 2024. Mr B was able to obtain a BAF certificate in August 2025. Reconstruction work started in August and was completed in December 2025.

<u>Period</u>	<u>Cost</u>
August – December	$217,323

How much refund is due to Mr C?

CEO's position
The amount of VAT refundable is limited to the lesser of the following:
a)$13,333.33 (1/9 of $120,000); and
b) $ 24,147.00 (1/9 of $217,323 which is the VAT inclusive cost of reconstruction).

Refund due is $13,333.33 as this is the maximum amount that can be refunded.

Scenario 2
Mr. D acquired a residential property in 2005 which he occupied with his family. The premises was damaged by termite infestation in December 2024. Mr D obtained a BAF certificate in August 2025. Reconstruction started in August 2025 and was completed in December 2025.

<u>Period</u>	<u>Cost</u>
August - December	$110,322

How much refund is due to Mr D?

CEO's position
Refund due is $12,258 as this amount is less than $13,333.33

24. Applicants must hold proof that goods (materials) and services used in the reconstruction were acquired from a registered person. An eligible person may hire a contractor to carry out the reconstruction for an agreed price or build it himself.

EXAMPLE 3 - Reconstruction carried out by a VAT registered contractor

Mr. E hired a contractor to reconstruct his residential premises that was damaged by termite infestation. The service fee agreed upon was 8% of the VAT exclusive cost of construction

Cost of construction	= $150,000
Service fee	= $12,000 ($150,000 x8%)
Total	= $162,000

Mr E holds a tax invoice issued by the contractor in October 2025 with the following VAT details:

VEP	$162,000
VAT (12.5%)	20,250
VIP	$182,250

Is Mr E required to provide the breakdown of the costs?

CEO's position

No. In such arrangements, the contractor will be responsible for purchasing materials and providing relevant construction services. As the contractor is a registered person and has charged VAT on the services, the reconstruction project plan and tax invoices will be required for verification purposes.

EXAMPLE 4 - Reconstruction carried out by a person not registered for VAT

Suppose Mr. E hired a contractor (Mr Y) who is not a VAT registered person to reconstruct his residential premises that was damaged by termite infestation. Upon completion, Mr Y issued an invoice with the following details:

Total construction cost =	Building materials, labour costs etc. + service fee
	= $168,750 (VIP) + $13,500 (VEP)
	= $182,250

Is Mr E eligible for a refund?

CEO's position

Yes, but only on items that were VAT inclusive.

The reconstruction project plan and tax invoices will be required for verification purposes.

EXAMPLE 5 – Construction costs not wholly for reconstruction

Mr. F hired a contractor to reconstruct his house that was damaged by termites' infestation. The bill showed the following -

Building materials	40,000
Footpath	2,000
Labour	6,000
Service fee	5,760
Total (VEP)	53,760
Add: VAT (12.5%)	6,720
VIP	$60,480

Is the whole amount ($6,720) refundable?

CEO's position

No. An adjustment is required for footpath construction expenses.

VAT refund allowable	= (VAT on reconstruction costs - non allowable expenses) x 1/9
	= ($60,480 - 2,000) x 1/9
	= $58,480 x 1/9
	= $6,497.78

25. Where the property damaged by termite infestation is used in a taxable activity, the entitlement to a VAT refund may apply if the CEO is satisfied that the premises was used for residential purposes only.

EXAMPLE 6 – Living quarters for staff

Mr G is a sole trader and owns a house which is used as living quarters for some of his employees. It was damaged by termite infestation, and the total reconstruction expense was $80,000 and VAT $8,888,89. Mr G submitted a refund claim in January 2026

Does Mr G qualify for a refund?

CEO's position

Yes – VAT paid on reconstruction of a residential property used in a taxable activity is refundable if used for residential purposes only.

However, for residential properties that are business assets, the ordinary rules for income tax (e.g. depreciation) and VAT purposes (input tax, if applicable) apply.

EXAMPLE 7 - Partially used for commercial purposes

Mr G owns a second building that was damaged by termite infestation. A shop is in front with family living quarters at the back.

Total expenses $80,000
VAT $8,888.89

Does Mr G qualify for a refund for the whole amount of VAT paid?

CEO's position:
No.
An adjustment is required for the space that was used for residential purposes only.
Suppose Mr G estimates that the reconstruction on the shop area amounts to 20% of the total cost and the CEO is satisfied with this estimate.

VAT refund allowable	= VAT on reconstruction costs x 80% used for residential purposes
	= $8,888.89 x 80%
	= $7,111.11

MULTIPLE/JOINT OWNERSHIP

26. There is no limit on the number of times a person can claim for multiple qualifying properties. For joint ownership, only one owner should apply for the refund on a qualifying property.

EXAMPLE 8 - Multiple claims

Suppose Mr E owns two houses damaged by termite infestation and hired Mr Y to carry out the reconstruction. Mr E had obtained a refund for the first property in 2025.

Is Mr E eligible for a refund?

CEO's position:

Yes. There are no restrictions on the number of times a person can claim VAT refund on the same or multiple properties damaged by termite infestation.

EXAMPLE 9 - Co-owned properties

Scenario 1
Mr G and Miss G own a house jointly.

Can both apply for the VAT refund?

CEO's position: Either Mr G or Miss G can apply.

Scenario 2
Mr G and Miss G own a second property also damaged by termites.

Are they entitled to the VAT refund?

CEO's position: Yes. Either Mr G or Miss G can apply

REFUND OFFSET

27. A VAT refund can be held and set off against other tax payable owed by the person and the balance (if any) refunded.

EXAMPLE 10 – Refund when taxpayer has tax arrears

Scenario 1
On 30 January 2026 CEO processed Mr G's VAT refund claim for $8,888.89 On the same day, tax ledgers showed Mr. G had income tax arrears of $3,000.

How will the CEO apply the tax offset rules?

CEO's position:
The CEO is required to first apply the amount of the refund against any overdue tax.
Refund due - $8,888.89
Less: tax arrears $3,000.00
Amount refundable $5,888.89

Scenario 2
Suppose the tax arrears was $2,000.

How will the CEO apply the tax offset rules?

CEO's position:
The CEO is required to first apply the amount of the refund against any overdue tax.
Refund due - $3,875
Less: tax arrears $2,000
Amount refundable $1,875

OFFENCES

28. The general provisions in section 71 (e) VAT Act on offences relating to false and misleading statements apply to persons applying for VAT refunds.

29. For further information and clarification in regard to this SIG, please email us at tipu@frcs.org.fj

APPENDIX 1: SECTION 70D VALUE ADDED TAX ACT 1991

[Section 70D] Tax refund for reconstruction of premises damaged by termite infestation.

70D— (1) Notwithstanding anything in this Act, a person may apply for a refund of tax in respect of a capital investment for the reconstruction of the person's premises that is damaged by termite infestation.

(2) A person who makes an application under subsection (1) must apply in the form approved by the Chief Executive Officer and obtain written confirmation of the infestation and -damage of the residential premises from Biosecurity Authority of Fiji.

(3) For the purpose of subsection (1), the amount of refund of the tax paid in respect of the reconstruction must be the lesser of—

(a) an amount equal to the tax fraction of $120,000 or such other amount as the Minister may declare by notice in the Gazette; or

(b) an amount equal to the tax fraction of the consideration in money for the reconstruction.

(4) The entitlement under subsection (1) does not apply to a premises used for a taxable activity unless the Chief Executive Officer is satisfied that the premises is used exclusively for residential purposes.

APPENDIX 2: TAX FRACTION

The tax fraction is used to find the VAT component in VAT inclusive prices.

$$\text{VAT fraction} = \frac{\text{Rate of tax}}{100 + \text{rate of tax}}$$

$$= \frac{12.5}{100 + 12.50}$$

$$= \frac{12.5}{112.50}$$

$$= 1/9$$

APPENDIX 3: SECTION 33 TAX ADMINISTRATION ACT 2009

[Section 33] Refunds

(1) If the CEO is required to pay a refund of overpaid tax to a taxpayer under a tax law, the CEO must—

(a) first apply the amount of the refund against any tax or duty owing by the taxpayer under any tax, customs or excise law; and then

(b) refund the balance (if any) to the taxpayer,

(c) notify the taxpayer, or his or her tax agent or representative, of his or her decision in writing.

APPENDIX 4: CHECKLIST

Property with title	Mataqali land
Title copy/ lease copy, and DP plan for freehold property	Letter from Turaga ni koro (to confirm residency and completion)
BAF confirmation letter (to have name of owner, address, extent of damage)	BAF confirmation letter (to have name of owner, address, extent of damage)
Statutory Declaration (to confirm what is repaired)	Statutory Declaration (to confirm what is repaired)
Completion certificate (if demolished and reconstructed)	Tax invoices
Tax invoices	Photos
Photos	ID with address
ID with address	