

Tax Talk – VAT Refund on New Dwelling House (NDH)

Under the new amendment, who is allowed the VAT refund for buying a new house?

An eligible individual may apply for a refund on his/her first residential property and a non-profit body involved in the provision of free housing for the underprivileged may apply for a NDH refund for each NDH constructed. For joint owners who are eligible, a joint application must be made as only original tax invoices are required to support a claim. The household to live in and includes: a new or existing house acquired from a registered person; a new house built by the eligible person; a new house built by a contractor hired by the eligible person; land on which the NDH is built and anything included in the approved or initial plan that is attached to the house e.g. a garage. An eligible person is a citizen of Fiji and includes a non-profitable body approved by the Commissioner engaged in the provision of residential accommodation to the underprivileged.

What is the total VAT claimable for a new house and how do you calculate now the VAT rate has changed?

An eligible person can claim a refund for the amount of VAT paid for goods and services up to a maximum VAT inclusive price of \$120,000. If an eligible person acquired a NDH costing below \$120,000, all of the VAT paid may be refunded; if an eligible person acquired a NDH costing \$120,000 or more, the maximum refund allowable is \$15,652.17 = $(\$120,000 \times 3/23)$ for supplies made up to 31 December 2015 ; and \$9,908.25 = $(\$120,000 \times 9/109)$ for supplies made from 1 January 2016.

Example 1 – NDH acquired after 31/12/15. In May 2016, Anand buys a house for \$140,937 from a registered person. The tax invoice shows (i)VEP- \$129,300 (ii)VAT (9%) - \$11,637 (iii) VIP - \$140,937

Calculation of refund

The refund due to Anand is the lesser of :

(i)the amount of the tax fraction on \$120,000 = \$9908.25 $(\$120,000 \times 9/109)$, and

(ii)the amount paid for the supply = \$11,637

Refund due is \$9,908.25

Example 2 – NDH acquired before 01/01/16. Litia buys a house for \$138,690 in December 2015 from a registered person. The tax invoice shows (i)VEP - \$120,600 (ii) VAT (15%) - \$18,090 (iii) VIP \$138,690

Calculation of refund

The refund due to Litia is the lesser of :

(i)the amount of the tax fraction on \$120,000 = \$15,562.17 $(\$120,000 \times 3/23)$, and

(ii)the amount paid for the supply = \$18,090

Refund due is \$15,562.17

Example 3 - Acquisition involving expenses spanning two periods (2016 and 2013 - 2015) Where a claim spans two periods, the amount actually paid (based on tax invoices) will be used to determine the amount of VAT to be refunded.

Fiona builds a house in October 2015 which is completed in February 2016 for a total cost of \$140,000. To assess her refund claim, valid tax invoices for each period up to a total of \$120,000 will be included in the determination of the amount of VAT paid.

Valid tax invoices for January and February 2016 = \$20,000

Valid tax invoices for October – December 2015 = \$100,000

Total = \$120,000

Calculation of refund

The NDH VAT refund due to Fiona is the amount paid on the value of the supply up to \$120,000.

For the year 2016: $\$1,651.37 = (\$20,000 \times 9/109)$

For the year 2015: $\$13,043.47 = (\$100,000 \times 3/23)$

Total Refund = \$14,694.84

Can you claim for VAT on the purchase of land?

To claim VAT paid on the purchase of land, a dwelling house must be built on the land and the application for refund made within 3 years from the date of completion. This means that in order to obtain a refund of VAT included in the price of land, the person must build a house and lodge a claim for both the land and house within 3 years. Those who build their own homes cannot claim as the work progresses, they must wait until the dwelling is completed. If a certificate is obtained before the dwelling is completed, the person will not be able to make additional claims. VAT refund will only be made once FRCA is satisfied that those goods and services for which a claim is made have been used in the construction of that new dwelling house.

How do you define 'new dwelling house' for VAT refund on homes?

The terms 'dwelling house' and 'new' for VAT purposes means a building which was built or purchased exclusively for the eligible person's household to live in; it includes the land on which the house is built and appurtenances. "New" means a house that has not been used by any person; or a house that has been acquired or held for use by the person acquiring it; or an existing house that is sold by a registered person to an eligible person – in this context, the house is 'new' for the purchaser. Appurtenances include garage, fencing and driveways. Any development work after the completion certificate is issued is treated as an extension for which the VAT refund will not be allowed.

When wanting to claim for a VAT refund, what does a person need to be aware of?

There is guide or a checklist on the NDH refund process which is available on our website: www.frca.org.fj. Eligible persons must complete the application form (IRS032) and attach the Input Tax schedule (IRS033) together with all the Tax invoices; a proof of identity of the owner; proof of ownership; letter confirming that the building is completed; house plan; and a certificate of completion. Homes purchased from a registered person must have the supplier's Tax Invoice or sale and purchase agreement. Where a house is built by a building contractor who is a VAT registered person we will need Contractor's tax invoice, completion certificate, approved house plan and Sale & Purchase Agreement if the claim includes VAT on land. For houses constructed on mataqali land including homes built by a building contractor who is VAT a registered person, FRCA requires the contractor's tax invoice, if applicable, otherwise original tax invoices for materials and services purchased Certificate or letter of completion - we will accept letters signed by the iTaukei Land Trust Board, the Turaga ni Koro (village headman), Roko Tui, Turaga ni Yavusa/Mataqali or a verification from Roko Tui that the claimant and his family lives in the house and its

completed. For Non-profit organizations FRCA will require the contractor's tax invoice or original tax invoices for materials and services purchased together with the certificate of completion.