



**PRACTICE  
STATEMENT No.**

**No.9/2012**

<b>SUBJECT</b>	<b>FIJI REVENUE &amp; CUSTOMS AUTHORITY:  SERVICE TURNOVER TAX</b>
<b>DATE OF EFFECT</b>	1 January 2012
<b>CONFIDENTIALITY STATUS</b>	May be released to the public
<b>LEGISLATIVE REFERENCES</b>	<i>Service Turnover Tax Decree 2012 Tax Administration Decree 2009 Value Added Tax Decree 1991</i>
<b>PRACTICE CO-ORDINATOR</b>	National Manager Revenue Collection

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## INTRODUCTION

- 1) The purpose of this Practice Statement is to provide guidance on the application of the Service Turnover Tax, which is effective from 1 January 2012. It is issued with the authority of the Chief Executive Officer, of the Fiji Revenue & Customs Authority (FRCA).
- 2) Service Turnover Tax (STT) replaces the Hotel Turnover Tax. The tax rate is 5% and is levied on the 'turnover' of prescribed service providers. 'Turnover' means the total charges for prescribed services billed to consumers. STT payable is computed by applying the tax rate to the fee for the prescribed service. For example, if the prescribed service fee is \$100 (exclusive of Value Added Tax) the STT is \$5.00.
- 3) The prescribed services are as follows: provision of hotel accommodation, food and beverage; provision of cars for hire (rental cars); provision of inbound tour services; provision of events management services; provision of services in cinemas; provision of services in bars and nightclubs; provision of water sports activities; provision of skydiving, hot air balloon rides and other similar activities; provision of charter flight services where annual turnover is over \$300,000; provision of services in bistros, coffee shops and restaurants where the annual gross turnover is \$1.5 million and above; and provision of short term accommodation in homes (home stays).
- 4) Only persons that provide the prescribed services are required to register for STT purposes and are authorized to include STT in their charges.
- 5) Owners of prescribed services are deemed to be registered for STT at the commencement of the Decree. All, except for those already registered for HTT purposes, will be required to complete a STT registration form. In the application form, the name of the person who will be responsible for the collection and payment of the tax must be provided.
- 6) For new businesses, a person should first obtain a Tax Identification Number, and then register for STT purposes. Registration must be done **within 30 days** before the commencement of the business. The registration form is available on our website ([www.frca.org.fj](http://www.frca.org.fj)) and Customer Enquiry Centers.
- 7) The person accountable for STT purposes must submit a return together with the tax payment by the end of the month following the month in which the tax was collected.
- 8) The due date for lodgment of the STT return is also the due date for payment of the tax.
- 9) Accountable persons must inform FRCA in writing if they fall out of the registration requirements. In cases where the business continues to operate but there is no STT to report for a period, a return indicating that there was no turnover for that particular period must be submitted.
- 10) Accountable persons will be required to keep records to support the computation of the STT. Penalties apply for failure to comply with any of the provisions of the Decree.

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## **LEGISLATIVE BASIS**

11) In the 2012 Budget Address, the Minister of Finance announced that a service turnover tax is to come into force on 1 January 2012. The STT is levied on prescribed service providers by Section 3 (1) of the *Service Turnover Tax Decree* 2012. (Decree No.8 of 2012 dated 10 January 2012).

### **Imposition of the tax**

12) Section 3 of the STT Decree states:

- “ (1) Subject to the provisions of this Decree, a tax at the rate of 5% shall be levied on the turnover of any person conducting a business involving the provision of a prescribed service.
- (2) The tax levied under subsection (1) is payable by the person to whom the prescribed service is provided.
- (3) Notwithstanding subsection (2), the Service Turnover Tax shall be payable and recoverable from the accountable person in accordance with section 4.
- (4) The 5% Service Turnover Tax levied under subsection (1) shall -
- (a) not be subject to the Value Added Tax imposed under the Value Added Tax Decree 1991; and
  - (b) be shown separately on the invoice or tax invoice.”

13) STT is included in the price of prescribed services that consumers purchase and is collected by the service providers.

14) The definition of accountable person is given in Section 2 of the Decree :

““accountable person” means the owner, manager, sole precedent partner and otherwise the person who is responsible for the daily management of the prescribed service and is responsible for the collection of tax under it”.

### **Returns & Payments**

15) STT must be paid on or before the end of the month following the month in which the tax was collected. A return must be lodged together with the payment (section 4)  
*Example: STT collected in January 2012 must be paid to FRCA by 29 February 2012.*

16) The Commissioner, if he requires, may set a due date for payment of less than one month. In such cases, the accountable person will be required to pay the tax within 14 days of the date set by the Commissioner. This may happen if for instance, a business closes down during a reporting period. *Example: Business closing 2 February 2012. CIR can issue a notice for payment (e.g. letter dated 6 February 2012) stating date for payment within 14 days which would be 20 February 2012).*

### **Prescribed services**

17) The prescribed services that are subject to STT are listed in the Schedule to the Decree. In general, the STT applies to licensed businesses. However, where a person may not

have the necessary permits to operate, the person will be deemed to be registered for STT purposes, if their operations fall within the description of prescribed services.

Category	Prescribed service	Types of business for which owners must register for STT purposes
a)Hotels	1.The provision of services in a licensed hotel	The definition of a hotel given in the <i>Hotels &amp; Guest Houses Act</i> .applies for STT purposes. Hotels are <b>licensed</b> businesses that receive guests or travelers for a fee and include: <ul style="list-style-type: none"> <li>■ a boarding house, lodging house, guesthouse or caravan.</li> <li>■ any part of a building, vessel, premises, structure, caravan or house on wheels.</li> <li>■ any place used by a hotel for overnight accommodation such as tents, camp sites.</li> </ul> <p>It does not include accommodation in public institutions and those owned by registered charitable trusts/religious bodies and other similar educational/vocational institutions.</p>
	2.Any services provided in a vessel that is wholly or principally engaged in the carriage of tourists within Fiji	This applies to vessels that are used to provide transport services to tourists including day and over night tours, transfer services and other similar services.
b)Bars & Nightclubs	3.Provision of meals or drinks in a licensed bar located in any part of a hotel or tavern	This applies to all types of licensed bars and nightclubs including such businesses owned by independent persons operating within a hotel/tavern premises
	4.Provision of services such as music, dancing or other reputable entertainment in a licensed nightclub	This covers any type of service provided in licensed nightclubs including bar services and other types of entertainment
c)Inbound tour services	5.Provision of inbound tour services	All services provided by such operators attract STT The STT charged by the Inbound operators will be on the commission that they make.
d)Events management operations	6.Provision of live entertainment involving the personal participation of artists at the place of performance or exhibition of products	Live entertainment includes the following: <ul style="list-style-type: none"> <li>   Showcase</li> <li>   Fashion exhibition</li> <li>   Trade Exhibitions</li> <li>   Overseas artists</li> </ul>
e) Recreation, entertainment and cinema operators	7. Provision of services for recreational activity for gain	For recreational activity, these includes the following: <ul style="list-style-type: none"> <li>■ Entertainment centre eg Arts Village Deuba</li> <li>■ Massage parlor</li> <li>■ Spa</li> </ul>

		<ul style="list-style-type: none"> <li>■ Exotic nature parks e.g. Kula Bird Park</li> <li>■ Skydiving</li> </ul>
	8.Provision of services relating to the exhibition of films in cinemas	This covers all types of services provided by cinema operators within and outside the cinema premises.
f) Rental car operators	9.Provision of rental car services	This applies to rental car operators that are licensed to hire vehicles to the public.
g) Bistros and coffee shops	10.Provision of meals and beverages in bistros and coffee shops	This only applies to businesses with an annual gross turnover of over 1.5 million dollars
	11.Provision of meals in restaurants	This only applies to services supplied in licensed restaurants with an annual gross turnover of over 1.5 million dollars
h) Water & air sightseeing and other activities	12.Provision of charter flight services	This applies to any provider of recreational aircraft or helicopter services with an annual gross turnover of over \$300,000.
	13.Provision of watersports and river safaris	This applies to any provider of watersports and river safari activities whose annual gross turnover is over \$300,000.
i) Home stay operators	14.Home stays	This applies to accommodation in a private residence or property that accommodates tourists, international students or overseas visitors who are paying guests.
	15. Provision of services similar to those listed in paragraphs 1 - 14 of the Schedule	A person that has not obtained an operating license to conduct any of the prescribed services will be required to account for STT if he/she is liable to register.

### Guidelines for calculating STT

- 18) Any person who is operating a prescribed service must account for STT in returns. Refer to Appendix 1 and 2 of the Practice statement for examples.

### Miscellaneous

- 19) The laws relating to record keeping requirements and imposition of penalties in the *Tax Administration Decree, 2009* apply.
- 20) Further information can be obtained from the following contact points:
- Taxpayer Education & Publicity Unit (email: [tepu@frca.org.fj](mailto:tepu@frca.org.fj))
  - Customer Enquiry Centers :

1)For Central & Eastern Division businesses:  
Revenue & Customs Services Complex  
Corner of Ratu Sukuna Road & Queen Elizabeth Drive Nasese

2) For Western Division businesses:

Revenue House, 19 Tavewa Avenue, Lautoka

3) For Northern Division businesses: First Floor Rupan Building  
Corner of Nanuku & Jaduram Street, Labasa

**Appendix 1: Record keeping guidelines**

**Example 1: where business maintains manual records**

	Transaction type	Charges (VEP)	STT (5%)	VAT (15%)	Total
1	Accommodation	\$87.50	\$4.38	\$13.13	\$105.01
2	Refreshments	\$50.00	\$2.50	\$7.50	\$60.00
	Total	\$137.50*	\$6.88*	\$20.63	165.01

\* Include total charges \$137.50 and STT \$6.88 in STT return

**Example 2: where business maintains system based records**

	Transaction type	Charges (VIP)	VAT (15%)  VAT fraction 3/23	Charges (VEP )	STT (5%)	Total
1	Accommodation	\$98.44	\$12.84	\$85.60	\$4.28	\$102.72
2	Refreshments	\$56.25	\$7.34	\$48.91	\$2.45	\$58.70
	Total	\$154.69	\$20.18	\$134.51*	\$6.73*	161.42

\*Include total charges \$134.51 and STT \$6.73 in STT return

**Example 3: The table below shows how charges for services should be accounted for when the service provider is not registered for VAT**

	Transaction type	Charges	STT (5%)	Total
1	Accommodation	\$87.50	\$4.38	\$91.88
2	Refreshments	\$50.00	\$2.50	\$52.80
	Total	\$137.50*	\$6.88*	\$144.38

\* Include total charges \$137.50 and STT \$6.88 in STT return

**NOTE:**

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STT is always calculated on the **VAT exclusive** amount.  
VAT is calculated in the same way but the base figure shall not include the STT amount.

**Appendix 2 : STT tax rate where a service provider is not registered for VAT**

To calculate the STT where the total charge is STT inclusive, we have to determine the STT tax rate. The tax fraction for STT is derived using the formula:  $r/(100+r)$

where  $r$  = STT rate of 5%.

The current tax fraction is  $5/(100+5) = 5/105$

STT tax rate =  $1/21$

**Example**

Sales for a prescribed service for a month is \$10000 inclusive of STT

$$\begin{aligned} \text{STT} &= \$10000 * 1/21 \\ &= \$10000/21 \\ &= \mathbf{\$476.19} \end{aligned}$$

**Crosscheck**

$$\begin{aligned} \$10000 - \$476.19 &= \$9523.81 \text{ exclusive of STT} \\ \text{STT} &= \$9523.81 * 5\% \\ &= \mathbf{\$476.19} \end{aligned}$$

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### **Appendix 3:** Guidelines for calculating monthly - STT & VAT

The example below shows how the respective tax amounts is worked out at the end of the month, when Gross Amount = FJ\$82,000 (including VAT and STT)

#### **Step 1** Determining the tax fraction

This amount is a portion of the total VAT and STT (tax fraction), included in the gross amount for the month.

The tax fraction for VAT is derived using the formula :  $r/(100+r)$

Where  $r$  = tax rate. The current tax fraction is  $15/(100+15) = 15/115$

For a prescribed service provider who is registered for VAT and STT, the STT tax rate (5%) is included so the tax fraction would be equivalent to  $(15 + 5)/(100 + 15 + 5)$ .

$$\begin{aligned} r &= \frac{(\text{VAT rate} + \text{STT rate})}{(100 + \text{VAT rate} + \text{STT rate})} \\ &= \frac{(15 + 5)}{(100 + 15 + 5)} \\ &= \frac{20}{120} \\ &= \frac{1}{6} \end{aligned}$$

The tax portion could therefore be mathematically derived by dividing the gross amount by 6

#### **Step 2** Work out the VAT & STT component

$$\begin{aligned} &\text{FJ\$82,000}/6 \\ &= \text{FJ\$13,666.10} \text{ ( this is the total VAT and STT ) } \end{aligned}$$

#### **3** Work out VAT & STT exclusive amount

$$\text{FJD\$82,000} - 13,666.10 = \$68333$$

#### **To check calculations**

$$\begin{aligned} 1. \text{ VAT} &= 68333 \times 15\% \\ &= 10249.95 \end{aligned}$$



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$$2. \text{STT} = 68333 \times 5\%$$

$$= 3416.65$$

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