

## TAX Talk – VAT on Agriculture

### **FT: What is Value Added Tax (commonly known as VAT)?**

CEO: Value Added Tax (VAT) is a tax on spending that is levied on the supply of goods and services in Fiji at the rate of 15%, with effect from 1st January 2011. The tax is collected on behalf of the Government by businesses and organizations which have been registered, usually referred to 'VAT registered persons', with the Fiji Revenue & Customs Authority (FRCA).

### **FT: Are farmers required to register for VAT?**

CEO: A farmer or produce supplier is not required to register for VAT irrespective of their annual turnover. However, a farmer may opt to register for VAT on a voluntarily basis. Once registered, they can charge VAT on its supply and obtain input credits for VAT paid by them. Once registered for VAT, they have to strictly abide within the VAT Decree. Any other person other than a produce supplier or farmer conducting business in Fiji whose annual sales exceeds or is likely to exceed FJ\$100,000.00, is required to register with the FRCA.

### **FT: What is the role of the farmer once he or she is registered for VAT?**

CEO: Once the farmer is registered for VAT he or she will not be treated different from any other VAT registered person. The VAT Decree requires that a registered person must charge and collect 15% VAT applicable to the range of goods and services they supply; and lodge their VAT Returns and pay the VAT collected to the FRCA when due. A registered person must keep adequate records; pay and tax and penalties owing by the due date; supply tax invoices (with their tax identification inserted on it) to consumers and other registered persons whom they provide taxable supplies to; account for VAT on any assets retained from a taxable activity upon ceasing to be registered; notify IRS of change of status (e.g. Change of Address etc.) and must notify IRS within 21 days of ceasing all taxable activities.

### **FT: How are farmers assisted with regards to VAT returns?**

The VAT Decree allows farmers and SMEs whose turnover is less \$300,000 to lodge on an annual basis. FRCA understands that farmers can't afford to be paying tax agents on a monthly or quarterly basis and hence have allowed them to lodge returns on annual basis.

### **FT: Is it beneficial for a sugar cane farmer to register for VAT?**

CEO: Yes, it is beneficial for a sugarcane farmer to register for VAT because they will not pay VAT on the sale of their sugar cane to the mill however, any VAT paid through expenses or purchases towards the sugarcane farm business will be refunded back to them.

### **FT: Do you have issues with other farmers or the business regarding their returns?**

CEO: Recent audits and inspections carried out by the Fiji Revenue & Customs Authority on some VAT registered persons has revealed some serious VAT returns omissions. It has been revealed that some VAT registered persons are incorrectly disclosing information in their VAT returns. This include understated sales, overstated zero-rated supplies, exports, undeclared VAT on employee fringe benefits that were subject to VAT, undeclared VAT on indemnity payments received from insurance companies, overstated VAT on expenses and purchases, no VAT adjustments on private or exempt expenses;

### **FT: What happens if a farmer is not registered for VAT?**

CEO: Persons not registered for VAT are only allowed to issue a valid "Invoice" when making a sale. They are not allowed to issue a "Tax Invoice" as this is only issued by all VAT registered persons. They shall not charge VAT on the value of the supplies. The invoice should clearly state that the value of the

supplies are VAT Exclusive (VEP) and that such invoices cannot be claimed as an input tax by any VAT registered persons.

**FT: How can a person know whether a farmer is registered for VAT or not?**

CEO: A farmer registered for VAT must issue a Tax Invoice. However, a non VAT registered person can only issue an Invoice. A list of all VAT registered persons is also available on the FRCA website, [www.frca.org.fj](http://www.frca.org.fj) for confirmation of VAT registration. Where you suspect that a supplier is issuing an invalid Tax Invoice, please report it to any FRCA office.

**FT: If a business person has a shop and a farm, can he register only the shop for VAT and not the farm?**

CEO: Yes, the business may register the farm as branch or division and thereby exempt the supply of the farm once approved by FRCA.

**FT: How do you define agriculture and produce supplier under the VAT Decree?**

CEO: Agriculture is defined and without limiting the meaning of the term, to include coconut planting, dairy farming, fruit growing, sugar cane growing, all forms of animal husbandry, poultry keeping, grazing, market gardening, horticulture and epiculture; but does not include silviculture.

For VAT purpose we refer to a person in the agricultural sector as produce supplier. A "Produce Supplier" is a person who, in the course or furtherance of all taxable activities carried on by that person, supplies produce and the supply of that produce constitutes at least 90% of that person's total value of supplies and the balance of the goods and services supplied by that person is produce but not in a raw and unprocessed state.