

TAX TALK - VAT REGISTRATION FOR BUSINESS

FT: Who is required to register for VAT?

CEO: Any person conducting a business (other than a produce supplier) with an annual gross turnover of \$100,000 must register for VAT. Please note that the compulsory registration threshold for gross sales exceeding turnover of \$100,000 does not apply to those in the agricultural sector as they can register voluntarily anytime. However, any person whose annual gross turnover is less than \$100,000 can still apply to register for VAT voluntarily.

FT: How does a business person register for VAT?

CEO: To register for VAT, a business person will need to complete a Business (IRS001) as a sole trader or a Company (IRS003) Registration Form for companies together with the VAT Supplementary Registration Form (IRS018). Once the form is submitted to FRCA, processed and approved, a Notification of VAT Registration will be issued to the person.

FT: Does FRCA charge for the forms and for VAT registration?

CEO: No, VAT registration is free of charge and this can be processed at any FRCA office Fiji wide

FT: What are the VAT obligations once a person registers for VAT?

CEO: There are two major tax obligations that a person must comply with; Firstly, a VAT registered person must file a VAT Return depending on the mode of VAT return lodgement approved – either monthly, three monthly or yearly. The VAT registered person is required by law to file a VAT return, in the approved form (IRS 217), by the due dates. Secondly, a VAT registered person must maintain in Fiji, its business accounts, documents and records. All business records kept are to be in English. All documents and records are to be kept for not less than seven (7) years after the end of each tax period to which they relate.

FT: What happens if I don't lodge or pay my return on time?

CEO: Penalties are automatically generated by the system for failure to lodge and pay on time. There is a late lodgement penalty of 25% and is a late payment penalty of 20%, plus an additional 5% penalty for every month of default.

FT: When accounting for VAT in my books on the time of supply, do I have to declare VAT in my records when I pay for the purchase in cash or when I receive the invoice?

CEO: This would depend on whether you have registered on a cash or accrual basis. For cash basis, the time of supply is when you pay or receive cash. For accrual basis, the general rule on the time of supply is 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 the delivery of the goods and services takes place. For example if an invoice was issued for a purchase first and the payments were to be done within 30 days, the time of supply would be the date of the invoice and not the payment date.

FT: How does a person qualify to account for VAT on a cash basis?

CEO: Accounting for VAT on a cash basis are applicable only to those whose annual business gross income does not exceed \$100,000; or a public authority, local authority or a non-profit body.

FT: What are criteria to be met if a business wanted to lodge VAT returns on an annual basis?

CEO: There are four categories namely A, B, C and D for lodgement of VAT returns under the respective taxable periods.

- a. Category A – monthly returns
- b. Category B – 3-monthly returns
- c. Category C – 12 monthly returns for produce suppliers primarily engaged in sugarcane farming
- d. Category D – 12 monthly returns for small and medium businesses with an annual gross turnover of \$300,000 or less

A business person may request in writing to the CEO to be placed in Category B, C or D if the annual gross sales do not exceeded three hundred thousand dollars. However, you will need to notify FRCA to be changed to a monthly basis once in your annual gross sales exceeds three hundred thousand dollars.

FT: Do you give advice on whether to register for VAT?

CEO: Yes, FRCA will assist and advise taxpayers on any issues from VAT registration and all its procedural aspects. We help facilitate improve voluntary compliance for taxpayers. Our Customer Enquiry Centre Fiji wide is there to assist all taxpayers.

FT: For new businesses will you assist in the completion of the first few VAT returns?

CEO: Yes, our Customer Enquiry Centre is manned by experienced staff in all tax types. We will not fill in the VAT returns for you but we will assist you in completing it so that you will be able to fill and complete your own VAT return when due.

FT: What happens if a business person wants to be De-registered from VAT?

CEO: A VAT registered person will need write in to request for deregistration. A deregistration audit will be conducted to determine whether the person qualifies for deregistration or not. For deregistration all the business assets and any stock on hand will be valued and the VAT determined which the business person will have to pay. Once the audit is complete and the tax arrears cleared, the person will be notified in writing of the VAT deregistration. During the course of this process, you will still be required to lodge your VAT returns until such time you receive the notification that you have been de-registered.