

# Talk Tax - SERVICE TURNOVER TAX (STT)

**FT: In the budget announcement there was a mention for an increase in the Service Turnover Tax rate. Please explain?**

**A/CEO:** Yes, with effect from 01 January 2016 the STT rate will increase from 5% to 10%. All STT registered persons will now be required to charge STT at the rate of 10% on provision of all prescribed services listed in the schedule of the STT Decree. STT registered persons must also make necessary amendments to their respective software systems to accommodate this new change.

**FT: How about the tourist that have booked in advance to come and enjoy the holidays in Fiji in 2016?**

**A/CEO:** During this transitional period, the STT rate applicable will depend on the time of payment especially for the hotel industry where advance bookings may have been made. All payments made prior to 2016 will be subject to 5% STT and 15% VAT irrespective when the services are used. However any payment made in 2016 will be subject to 10% STT, 6% Environment Levy and 9% VAT.

**FT: What services will be subject to STT?**

**A/CEO:** STT is charged or levied on prescribed services. Prescribed services include provision of:

- accommodation, refreshments and any other services in **licensed hotels or tourist vessels**
- meals, beverages and any other services in **licensed restaurants, bars, clubs, bistros and coffee shops**
- all services in **licensed nightclubs**
- travel, tour and sight-seeing services by **inbound tour operators**
- all services including entry ticket fees provided within **cinema premises**
- all **hired or rented car services** with 'LH' and 'LR' license number plates excluding taxi's with 'LT' license number plates
- all **water sports** activities such as river safaris by water sports operators
- accommodation and any other services by a registered **home stay operators**
- recreational activities by **recreational activity operators** such as skydiving
- **live entertainment** by personal participation of artists or **exhibition of products** where entry fees is charged for events venue
- charter flight services by aircraft operators except flights for medical or natural disaster relief evacuation services

**FT: How is the STT calculated?**

**A/CEO:** STT is applicable on the value of service charged **exclusive** of VAT and Environmental Tax. Example - Service charged by a STT registered person is \$100 exclusive of VAT and other taxes.

Service charge		\$100 (VEP)
STT calculation	\$100 x 10%	STT = \$10.00
Environmental Levy calculation	\$100 x 6%	Environmental Levy = \$6.00
VAT calculation	\$100 x 9%	VAT = \$9.00
Total		\$125.00 (inclusive of all taxes)

**FT: When displaying their price for their services, can the service providers display tax exclusive prices only?**

**A/CEO:** No, this is unlawful under the VAT Decree as registered persons are required to display the price of all prescribed services supplied at the retail level in Fiji as inclusive of tax (if any) chargeable on that supply. However, for tourism publicity material utilized overseas to advertise the supply of any goods and services by any registered person, the price of those goods and services advertised may be displayed as exclusive of tax (if any) chargeable on that supply, provided that any tourism publicity material on which an exclusive of tax price is displayed must clearly state that the price displayed is subject to the tax. When issuing the receipt the tax component should also be clearly shown to customers.

**FT: Is the rent paid by concessionaires subject to STT?**

**A/CEO:** The STT will not be applicable on non- consumption services. Hence, any rent paid by concessionaires in hotels for the lease of premises will not be subject to STT and Environmental Levy.

**FT: What other changes will come into effect from the 1<sup>st</sup> of January 2016 with regards to STT?**

**A/CEO:** All persons engaged in charter flight services, water sports and accommodation in private residence or property that accommodates tourists, international students and overseas visitors, will be required to register for STT and charge STT accordingly as their respective threshold for registration have been removed. Bistros, coffee shops and restaurants with an annual gross turnover of \$1.25m or more will be required to register for STT. Any services subject to STT will also be subject to Environmental Levy of 6%.