

Calculating VAT values

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FIIJ'S financial system is reasonably well-developed.

Progression towards a more developed financial

system is inevitable in light of continuing developments domestically and internationally. Following on from last week, Business reporter ROPATE VALEMEI speaks with Fiji Revenue and Customs Authority of Fiji (FRCA) CEO Jitoko Tikolevu about value added tax (VAT) on the financial services.

TIMES: Some companies insure their properties and stock at VAT exclusive price (VEP) and hence also receive the lump sum as VEP. When calculating the VAT element, will the VEP be taken into consideration and hence you use gross up method or will you consider the value received to be VAT inclusive price (VIP)?

TIKOLEVU: Under Section 8 of the VAT Decree is a deeming provision and specifies that any sum received will be deemed to be consideration received for a supply of services performed by the registered person on the day the registered person receives the payment; and in the course or furtherance of the registered person's taxable activity.

We note that some taxpayers claim they received VEP amount and insurance companies confirming that it is VEP payout.

However, from FRCA stance in accordance with the legislation any amount received as a payout will be deemed to be the full consideration and hence the VIP figure.

We do not use the gross up value even if it is claimed to be VEP, but we will take the net value received to be the VIP value.

TIMES: Can the insurance companies make a claim on the sum paid to the individual or companies?

TIKOLEVU: No. Section 8B of the VAT Decree states that where an insurance company has made an insurance payment it shall not be allowed a VAT deduction.

TIMES: Are all insurance companies and brokers registered here in Fiji required to register for VAT purpose?

TIKOLEVU: Yes. They are required to register for VAT hence, they will be able to claim on input claims and declare VAT on the premiums they receive on a monthly basis. However, they will not be allowed to claim input on expenses incurred for exempt supplies.

TIMES: Are all insurance premium subject to VAT?

TIKOLEVU: Apart from life and medical premiums, all other insurance premiums are subject to VAT.

* This is a weekly column specifically targeting tax issues. If you have any topics that you want Talk Tax to focus on, please email rvalemei@fijitimes.com.fj or Senior Business reporter Monika Singh on msingh@fijitimes.com.fj.