

VAT refunds and delays

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Fiji Revenue and Customs Authority building in Suva. Picture: ATU RASEA

VALUE added tax (VAT) refunds have always been a challenge for the Fiji Revenue and Customs Authority (FRCA) as they prefer to facilitate the refunds in the same month as soon as possible. However, the risk flags in their system usually alert them of unusual claims or refund trends which cause refund delays. This week Business reporter ROPATE VALEMEI talks with FRCA CEO Jitoko Tikolevu to clarify this issue.

TIMES: There have been issues raised in the past about the delays in the VAT refunds.

TIKOLEVU: In the recent years, VAT thresholds have changed and many persons who are no longer in the VAT net continue to use their old stationery — invoices and receipts and VAT registered persons make input claims on these. These are not claimable and thus VAT refunds get held up for correcting of these issues. Therefore these actually require voluntary compliance in terms of correct claims by taxpayers, which will assist FRCA process refunds even faster.

TIMES: What are the key benefits of this new VAT process change?

TIKOLEVU: A faster processing of your VAT return and importantly a timely collection of payments. The VAT return you submit will serve as the notice of assessment, thus, you do not have to wait for a notice of assessment (NOA). The added feature about this new process is that VAT refunds will be processed faster.

TIMES: Who is eligible for a VAT refund?

TIKOLEVU: Firstly, the person should be registered for VAT purpose. Secondly, the VAT paid or incurred should be in relation to the business. Thirdly, a person should have documentary proof of the VAT paid or incurred. For example, tax invoice; and fourthly, there should be no outstanding tax or lodgment of returns with FRCA. Such person, upon lodgment of a VAT return, and the VAT paid or incurred (VAT input) for the running of the business is greater than the VAT on sales (VAT output), will be issued a VAT refund of the difference.

TIMES: What happens in a refund situation?

TIKOLEVU: The VAT Decree requires that when lodging a VAT return, all VAT paid and claimed as input VAT will have to be properly declared in a VAT input schedule for verification by our officers during the time of inspection. Once the VAT return is processed and if it is determined that there is a refund due, the refund is deposited into the registered person's bank account.

TIMES: What is a tax invoice?

TIKOLEVU: Tax invoice is the document which proves that a taxable transaction (i.e. the sale of goods and/or services by a registered person) has occurred. For supplies of more than \$100 (including VAT), the tax invoice needs to show: the words "tax invoice", in a prominent place; the name, address, and tax identification number (TIN) of the supplier; the name and address of the recipient; an individual serial number of each invoice; the date the invoice was issued; a description of the goods and/or services supplied; the quantity or volume of the goods and/or services supplied; the consideration (excluding VAT) for the supply; the total amount of VAT charged; and the VAT inclusive price (VIP) i.e. the sale price for supply.

For supplies of up to \$100 a simplified tax invoice is acceptable provided it shows: the words "Tax Invoice", in a prominent place; the name and taxpayer's identification number of the supplier; the date the tax invoice was issued; a description of the goods and/or services supplied; the consideration for the supply; and the total price inclusive of VAT.

All invoices must be kept for a minimum of seven years for audit purposes.

TIMES: Please explain the difference on claiming a VAT refund in an accrual and a cash basis?

TIKOLEVU: The time of supply rules have to be applied. For accrual basis (invoice basis) the general rule to claim VAT is in the period the invoice is received or any payment is made or goods and services are delivered to you whichever is earlier of the three. For cash basis (payment basis) the general rule to claim VAT is in the period when the payment is made in respect of the supply.

* VAT refunds will be continued on Tax Talk next week.