

GOVERNMENT OF KIRIBATI
INTERNAL REVENUE BOARD



MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

P.O. Box 67, Bairiki, Tarawa, Republic of Kiribati,
Telephone: (686) 21-898 Switchboard, Fax: (686) 21-825

Fact Sheet for entities who provide mixed supplies (taxable and exempt)

If your business provides goods or services that both taxable and exempt then you are said to be a supplier of mixed supplies.

For example:

- 1. Business "ABC" operates a fuel station selling fuel (diesel, petrol) and also has a grocery store attached. This Business is a seller of mixed supplies because fuel is exempt from VAT and groceries are taxable.*
- 2. Business "XYZ" runs a motel which has long term accommodation as well as short term, they also sell meals and drinks. This business is a seller of mixed supplies because long term accommodation may be exempt from VAT, other accommodation and restaurant services attract VAT.*

If you only sell taxable supplies you are entitled to claim all of the VAT that you have paid to suppliers if you have a complying tax invoice.

If you only sell exempt supplies you cannot claim any VAT credits nor can you be registered for VAT.

If you sell a mixture of exempt supplies and taxable supplies you can only claim credits on supplies that are 100% used in the sales of the taxable supplies and a portion of the credits on supplies that are used for the mix supplies. You cannot claim credits on supplies used 100% on the exempt sales.

For example

Business ABC (above) imports a fuel pump from Australia at a cost of \$4000. Customs have charged them \$500 VAT. The port authority have also charged

VAT of \$100 on their services and a transport company have charged \$50 VAT to deliver the pump. ABC cannot claim any of this VAT back on their VAT return as the pump was used 100% for the sale of an exempt product (fuel). ABC will record the full price of \$4,650 as an asset in their business.

They also import a container of groceries from Australia valued at \$4000. Customs charge them \$500. The port authority also charge \$100 VAT and the transport company charge \$50 VAT for delivery. ABC will claim \$650 on their VAT return as the goods will be sold with VAT in the price. They will record \$4000 as an expense in their trading account.

ABC also have VAT included in their phone and power bills. The power and phone were used for the whole business. ABC can only claim a portion of the VAT paid on these tax invoices in their next VAT return.

How do you work out the portion you can claim?

You should use 80/20 rule. If more than 80% of your sales are exempt sales you cannot claim any credits on the invoices used for making mixed supplies. If less than 20 % of your sales are exempt you can claim all you credits on the invoices used in making mixed supplies. If the portion of your exempt sales is from 20% and 80% you can claim the exact percentage.

To calculate your percentage use the following formula

(Exempt supplies (box1 on VAT return) ÷ taxable supplies (box3 on VAT return) X 100=% of exempt supplies.

For example

Box 1 (total sales) is \$100,000; Box 3 (exempt sales) is \$34,000 therefore the % of exempt sales is 34%

$$\left(\frac{34,000}{100,000}\right) * 100 = 34$$

If you require assistance in complying with this requirement please call into the tax office for assistance or email Tax office at tax@mfepo.gov.ki or call 21806 during working hours.