



**MFED**

## **Value Added Tax (VAT) and Excise**

### **Exemptions and Zero-rated items**

- VAT applies to most goods and services.
- Excise only applies to those goods listed in the Excise Tax Rates Order 2014.

### **Exemptions**

If something is exempt:

- You won't pay Excise or VAT when you import or purchase the item
- You don't charge VAT when you sell the item
- You cannot claim credit for the VAT you pay on the inputs used to produce or sell that item.<sup>1</sup>

### **VAT Exemptions**

The following goods and services are **exempt** from VAT:

- 1) Uncooked rice;
- 2) Uncooked flour made from wheat;
- 3) Kerosene;
- 4) Bicycles and bicycle parts, and repairs to bicycles;

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<sup>1</sup>

- If more than 80% of your sales are subject to VAT (that is, they are taxable supplies), you can claim the full amount of VAT paid on inputs such as transport costs, rent, telephone and electricity that would otherwise apply to both taxable and non-taxable supplies.
- If 80% or less, down to at least 20%, of your sales are taxable supplies, you have to apportion the VAT you paid on inputs that apply to both taxable and non-taxable supplies. You can only claim the VAT that applies to the taxable supplies. For example, if 70% of your sales are taxable supplies, you can only claim 70% of the VAT you paid on inputs that apply to both taxable and non-taxable supplies.
- If less than 20% of your sales are taxable supplies, you cannot claim credit for any VAT paid on inputs that apply to both taxable and non-taxable supplies.

- 5) Mosquito nets;
- 6) Benzol (benzene);
- 7) Oil No.50;
- 8) Exercise books;
- 9) Financial services;
- 10) Precious metal (this does not include jewellery);<sup>2</sup>
- 11) Goods and services from a non-profit body, that were gifted to the non-profit body for the charitable or religious purposes of that body;
- 12) Sale or lease (of more than 50 years) of residential premises, but not new residential premises;
- 13) Lease of residential premises for 2 months or more;
- 14) Holiday or hotel accommodation to an individual (alone or together with other individuals) for a continuous period of 2 months or more;
- 15) Unimproved land;
- 16) Education services;
- 17) Medical, dental or nursing services;
- 18) Medicine that can be sold only by a registered pharmacist;
- 19) Goods brought into Kiribati by international travellers:
  - a. Not more than 200 cigarettes or 250 grams of tobacco products, or a combination of cigarettes and tobacco products with a total weight of not more than 250 grams
  - b. Not more than 4 litres of wine
  - c. Not more than 2.25 litres of alcohol other than wine;
- 20) Imported stores for aircraft or ships, to be used while travelling internationally;
- 21) Import of goods in a single consignment for private use up to a maximum value of \$200;
- 22) Goods imported by a diplomatic or consular mission, diplomat or member of their family, forming part of the diplomat's household in Kiribati, to the extent provided in the Diplomatic Privileges and Immunities Act 1983;
- 23) Goods imported by an international organisation or foreign government to the extent required under an international agreement or the International Financial Organisation Act, 1985.
- 24) Goods imported on which no customs duty is payable as set out in the Ministry of Finance and Economic Development Policy for Exempting Customs Import and Export Duty, as amended from time to time.

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<sup>2</sup> This exemption only applies to gold of not less than 99.5% fineness, silver of not less than 99.9% fineness, and platinum of not less than 99% fineness.

- 25) Goods imported that, if those goods were supplied in Kiribati, would be exempt or zero-rated.

## **Excise Exemptions**

The following excisable goods are **exempt** from Excise:

- 1) Goods brought into Kiribati by international travellers:
  - a. Not more than 200 cigarettes or 250 grams of tobacco products, or a combination of cigarettes and tobacco products with a total weight of not more than 250 grams
  - b. Not more than 4 litres of wine
  - c. Not more than 2.25 litres of alcohol other than wine;
- 2) Imported stores for aircraft or ships, to be used while travelling internationally;
- 3) Goods carried across Kiribati in transit;
- 4) Import of goods of a non-commercial nature of an aggregate value of up to \$200;
- 5) Goods imported by a diplomatic or consular mission, diplomat or member of their family, forming part of the diplomat's household in Kiribati, to the extent provided in the Diplomatic Privileges and Immunities Act 1983;
- 6) Goods imported by an international organisation or foreign government to the extent provided for under an international agreement or the International Financial Organisation Act, 1985;
- 7) Goods imported by a contractor to the extent provided for in an international agreement for the purposes of an aid project;
- 8) Goods imported on which no customs duty is payable as set out in the Ministry of Finance and Economic Development Policy for Exempting Customs Import and Export Duty, as amended from time to time.

## **Zero-rated for VAT**

If something is zero-rated:

- This means it is a taxable supply, subject to VAT, but at a rate of zero%. This means:
  - You won't pay VAT when you import or purchase the item
  - You don't charge VAT when you sell the item
  - But because it is a taxable supply you CAN claim credit for the VAT you pay on the inputs used to produce or sell that item.

Note that zero-rated does not apply to Excise.

The following goods and services are **zero-rated for VAT**:

- 1) Exports;
- 2) Consumable stores for use on a fishing vessel going outside Kiribati waters or an aircraft or ship going to a destination outside of Kiribati;
- 3) Goods and services used in the repair, renovation, modification or treatment of temporarily imported goods;
- 4) Services to be used outside of Kiribati;
- 5) Telecommunication services made by a resident telecommunications supplier to a non-resident telecommunications supplier; or made by a person physically outside of Kiribati (for example, global roaming mobile phone call);
- 6) International transport services;
- 7) Goods and services as part of the transfer of an enterprise or part of an enterprise as a going concern, by a registered person to another registered person;
- 8) Fishing licence where the licence is used principally to make exports of fish;
- 9) Transportation of passengers in Kiribati by a bus, truck, or taxi, other than by a tour operator.

For further information, please visit the Tax Division, MFED, Bairiki, or phone us on 21806.