

## Vision

We are a Capable and Committed Customs & Tax Administration for a modern Vanuatu.

## Mission

For the good of Vanuatu, collect revenue, protect our borders and facilitate legitimate trade.

## Values

- Leadership.
- Result focused, including revenues.
- Inclusiveness.
- Integrity.
- Embracing change.
- Valuing employees.
- One organization.

For further information contact Inland Revenue office, Taxpayer Services using the details below:



V A N U A T U  
**CUSTOMS & INLAND REVENUE**  
**SERVICE DE LA DOUANE ET DES**  
**CONTRIBUTIONS INDIRECTES**

## Apportioning of Expenses / Purchases

## Value Added Tax



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## Apportioning of Expenses/Purchases



In circumstances where goods and services acquired for business use is not solely used for the business activity, you will have to apportion the expenses incurred in acquiring these goods/services in order to get a VAT input tax credit.

### Apportionment Method

To make adjustments you will need to work out the private or exempt portion of various business expenses.

### Proportional adjustment

In splitting the use of the goods and services between the taxable activity and any private or exempt activity.

For situations, such as where you set aside part of a home for business use, say a room solely used as an office, the percentage of the office floor area compared with the whole house area could be used to apportion the business related cost/expense of maintaining the office space in the house.

## Home office expenses

A number of businesses use an area set aside in the family home for work purposes. If you are doing this you may be able to claim VAT on part of the costs of running your home. You must:

- set aside an area principally for business use, and
- keep full records of all expenses you wish to claim.

The amount of VAT you can claim for home expenses will be worked out as a fraction of the total floor area against the area that is set aside for work.

### Example

Brian has an office set aside in her private home. The office is 10 square meters of a 100 square meter house. The business percentage is therefore is 10%.

House expenses (VAT inclusive) for the taxable period were:

Insurance (house)	VT 20,000
Electricity	VT 80,000
Telephone rental (see below)	VT 10,000
<b>Total</b>	<b>VT 110,000</b>

The Value of the business use is VT 11,000 (VT 110,000 multiplied by 10%).

The amount to show on the VAT return at box 11 is VT 1,434 (or VT 11,000 business use divided by 7.6667).

The **Turnover method** is for calculating exempt use only (for example, by banks providing both taxable and exempt services). You cannot use it for calculating private use (since, of course, there may be no turnover in respect of private use). The formula is:

$A / B \times 100 =$  the percentage of total supplies which are exempt

Where:

**A:** is the total value of exempt supplies for the period.

**B:** is the total value of all supplies (excluding VAT) for the period.

If the above two methods are not suitable, you may devise an alternative method. You need approval from the VAT Office to do this.

## Motor Vehicles

You can only claim VAT paid on the purchase price of a motor vehicle if approval is granted by the VAT Office.

Approval will only be granted where:

- It can be proven the motor vehicle is used 100% for business use, or
- If the vehicle is not used 100% for business, a log book is kept for 3 months to work out the percentage of business use of the vehicle.

This percentage may then be used to claim a VAT credit on the purchase price.

## Vehicle running expenses

Prior approval is not required to claim a VAT credit on the running costs of a motor vehicle, however details must be kept to support any claims. The vehicle log book must be kept for 3 months before proper determination can be ascertained.

*Please contact our office should you require more information's on any of our brochures.*