

# BILL NO. 42 OF 2016

## A BILL

FOR AN ACT TO AMEND THE VALUE ADDED TAX DECREE 1991

ENACTED by the Parliament of the Republic of Fiji—

*Short title and commencement*

- 1.—(1) This Act may be cited as the Value Added Tax (Budget Amendment) Act 2016.
- (2) This Act comes into force on 1 August 2016.
- (3) In this Act, the Value Added Tax Decree 1991 is referred to as the “Decree”.

*Section 67 amended*

2. Section 67 of the Decree is amended by deleting “twelve and a half per cent” and substituting “the fair market interest rate as determined by the Reserve Bank of Fiji”.

*Section 70C amended*

3. Section 70C of the Decree is amended by—
  - (a) inserting “or the Income Tax (Film-making and Audio-visual Incentives) Regulations 2016” after “(Cap. 201)”; and
  - (b) deleting “Sixth Schedule to the Income Tax Act (Cap. 201)” after “expenses under” and substituting “Income Tax (Film-making and Audio-visual Incentives) Regulations 2016”.

*First Schedule amended***4.** The First Schedule to the Decree is amended by—

(a) in paragraph 2, deleting “residential apartments which provide hotel like accommodation and facilities” and substituting “residential dwelling as specified in paragraph (2A)”;

(b) adding a new paragraph after paragraph (2)—

“(2A).—(1) The supply of accommodation in a residential dwelling by way of hire or rent as a place of residence by a registered person who has an annual gross turnover from such hire or rent that is more than the amount specified in section 22.

(2) For the purpose of paragraph (2A)(1)—

(a) if a residential dwelling is hired or rented wholly as a place of residence, the Value Added Tax will apply to the whole place of residence hired or rented;

(b) if a residential dwelling is hired or rented partly as a place of residence and partly for some other use, the Value Added Tax will only apply to the portion that is hired or rented as a place of residence.”; and

(c) inserting a new paragraph after paragraph 9—

“9A. The supply of employment services to Government whereby payment is of salary and wages from Standard Expenditure Group 6 under Government grant”.

*Second Schedule amended***5.** The Second Schedule to the Decree is amended by adding a new paragraph before paragraph 1—

“A claim for zero-rated supply of goods or services is only allowed under this Schedule provided the Commissioner is satisfied that the export earnings have been remitted to Fiji, with respect to the following supplies—”

*Fourth Schedule amended***6.** Paragraph 4(3) of the Fourth Schedule to the Decree is amended by deleting “of \$2,500” and substituting “as prescribed by the Commissioner”.

## VALUE ADDED TAX (AMENDMENT) BILL 2016

### EXPLANATORY NOTE

*(This note is not part of the Bill and is only intended to indicate its general effect)*

#### **1.0 BACKGROUND**

- 1.1 The Value Added Tax (Amendment) Bill 2016 (**'Bill'**) seeks to amend the Value Added Tax Decree 1991 (**'Decree'**).

#### **2.0 CLAUSES**

- 2.1 Clause 1 of the Bill provides the short title and commencement provisions.
- 2.2 Clause 2 of the Bill amends section 67 of the Decree by deleting the rate of interest per annum of twelve and a half per cent and substituting with the fair market interest rate as determined by the Reserve Bank of Fiji.
- 2.3 Clause 3 of the Bill amends section 70C of the Decree to include reference to a certificate issued under the Income Tax (Film-making and Audio-visual Incentives) Regulations 2016.
- 2.4 Clause 4 of the Bill amends the First Schedule to the Decree (**'First Schedule'**) by deleting reference to "hotel like accommodation" and substituting with the supply of residential dwellings by a registered person who has an annual gross turnover of more than the amount specified under section 22(1) of the Decree, from the hire or rent of their residential dwelling.
- 2.5 Clause 4 of the Bill also specifies, for the purpose of paragraph 2 of the First Schedule, that if a registered person uses a residential dwelling partly for hire or rent as a place of residence, Value Added Tax (**'VAT'**) will only apply to the part of the residential dwelling rented or hired as a place of residence, and not to the portion of such residential dwelling used for other purposes.
- 2.6 Clause 4 of the Bill further amends the First Schedule for the exemption of payment of VAT on the supply of employment services to Government whereby payment for salary and wages of employees are paid out of Standard Expenditure Group 6 under Government grant.

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2.7 Clause 5 of the Bill amends the Second Schedule to the Decree by requiring businesses which export goods or services to have their export proceeds remitted to Fiji in order to qualify for zero-rated sales.

2.8 Clause 6 of the Bill amends the Fourth Schedule to the Decree by deleting the Tourism VAT Refund Scheme annual licence fee of \$2,500 to allow the Commissioner to prescribe the licence fee payable.

### **3.0 MINISTERIAL RESPONSIBILITY**

3.1 The Decree comes under the responsibility of the Minister responsible for finance.

A. SAYED-KHAIYUM  
Attorney-General