



Service Turnover Tax (Budget Amendment) Bill 2017

Bill No. 18 of 2017

Introduction

The **Service Turnover Tax (Budget Amendment) Bill 2017** ('Bill') seeks to amend the *Service Turnover Act 2012* ('Act').

Service Turnover Tax (STT) - How is it levied? It is levied on the **VAT exclusive cost of turnover** of any person conducting a business involving the provision of a prescribed service, current at the rate of 10 per cent (this Bill reduces the rate to 6 per cent).¹ The Act has set a 'taxable threshold' and it currently stands at \$1.25 million (of gross turnover). So if your business (if it is listed in the Schedule) has an annual turnover of \$1.25 million then you are required to register for and apply STT in your service charges to consumers. The threshold was previously \$1.5 million but decreased to \$1.25 million in 2015. In the *Budget Estimates 2017–18* the amount of **STT revenue** estimated to be received in the 2017–18 financial year is \$114.8 million, up from a revised estimate of \$98.1 million in the 2016–17 financial year.

Objectives, scope and intent of the Bill

The main objective of the Service Turnover Tax (Budget Amendment) Bill 2017 ('Bill') is to amend the *Service Turnover Tax Act 2012* with accordance to the 2017–18 Budget.

The amendments proposed in the Bill address three issues in regards to the STT. The first is to reduce the rate of the STT from 10 per cent to 6 per cent. The second amendment is a requirement for businesses charging the STT to clearly show it separately on tax invoices. The third issue is to delete reference to the Commissioner for Inland Revenue in the Act, and refer to the Chief Executive Officer (CEO) instead.

Summary of provisions

Clause 2 amends section 2 of the Act by deleting reference to the Commissioner of Inland Revenue, so that the definition 'Commissioner' means the Chief Executive Officer (CEO).

Clause 3 amends section 3(1) of the Act by substituting "10%" for "6%".

Clause 3 also amends section 3(4) of the Act by deleting "10% Service Turnover Tax", and substituting "tax" in its place.

Paragraph 3(4)(b) of the Act is deleted and replaced with a statement that the STT "*be clearly and separately shown on a tax invoice, invoice or receipt issued for payment of any prescribed service*".

Clause 4 inserts a new subsection (4) into section 4 of the Act. This new subsection requires that an accountable person ensures that the business for which they are responsible for only charge and pay a STT for prescribed services provided by the business, and **do not charge** a STT when it has been charged by another person with respect to the prescribed service.

Clause 5 amends the Act by deleting "Commissioner" wherever it appears, and substitutes "CEO".

¹ Fiji Revenue & Customs Authority, *Service Turnover Tax*. Available at: <http://www.frca.org.fj/service-turnover-tax/> [Accessed 5 July 2016]



Gender analysis

The Bill does not appear have any disproportionate impact on women or men.

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