



Value Added Tax (Budget Amendment) Bill 2017

Bill No. 26 of 2017

Introduction

The **Value Added Tax (Budget Amendment) Bill 2017** seeks to amend the *Value Added Tax Act 1991* ('**Principal Act**'). The Principal Act was first introduced in 1991 to implement VAT. This is a broad-based indirect tax that is applied to almost all supplies of goods and services to consumers. The Principal Act requires most businesses involved in taxable activities to register for VAT with the Fiji Revenue & Customs Authority (name soon to be changed to Fiji Revenue and Customs Service) and charge VAT on a range of applicable goods and services.

The current VAT rate is 9 per cent. Some goods and services are exempted from VAT and these are outline in Schedule 1 of the Act. The exempt supplies are:

- supply of financial services;
- supply of accommodation in a residential dwelling;
- supply of education by an educational institution;
- supply of any goods and services incidental to the provision of education by an educational institution;
- supply and provision of the right to partake in any gambling and;
- supply by any non-profit body of donated goods and services.

Other zero-rated supplies are contained in the Schedule 2 of the Act. These are: exported goods; supplies of ship stores; supply of taxable activity as a going concern to another registered person and; services in connection with goods outside Fiji.

Objectives, scope and intent of the Bill

The main objective of the Value Added Tax (Budget Amendment) Bill 2017 ('**Bill**') is to amend the *Value Added Tax Act 1991* ('**Principle Act**') in accordance with the 2017-2018 Budget.

Summary of provisions

Clause 1 of the Bill provides for the short title and commencement. If passed by Parliament, the amending legislation will come into force on 1 August 2017.

Clause 2 of the Bill amends section 44 of the Act which deals with tax assessment. It includes a new provision to ensure a person is not taxed twice for the same taxable supply.

Clause 3 of the Bill amends section 70(9) of the Act by clarifying the definition of "dwelling house" for a person to claim for a VAT refund. Clause 3 of the Bill also amends section 70(11)(a) of the Act by increasing the maximum penalties from 12 months imprisonment to 10 years imprisonment to prevent any abuse of the concession.

Clause 4 of the Bill amends section 72 of the Act which deals with penalties for offences (detail on what constitutes an offence is set out in section 71). The stated aim of the change is to increase penalties to strengthen compliance.



In subsection (1) and (2) it is proposed that all prison terms will increase to a period not exceeding 10 years, the value of the fines will also be increased. Proposed fines will range from \$5,000 - \$25,000 whereas it currently ranges from \$500 - \$1,500.

The Bill proposes that subsection (3) of the Principal Act will be replaced. It currently sets out that upon conviction of an offence a person will be liable to pay a fine of 50% of the tax payable within the first 6 months. Once 6 months has passed this will increase to a fine of 100% of the tax payable.

The Bill proposes that a flat fine of \$10,000 be imposed which must be paid within 6 months of the notice being issued. The amendment also sets out that a person who fails to register and pay the fine within 6 months will be liable to a fine of up to \$50,000 and a prison term of up to 10 years, or both.

The Act currently states that the first occasion that a person is convicted of an offence will pay a fine of \$1,500, this will be increased to \$10,000. The maximum prison term is proposed to increase from one year to ten years. For every subsequent occasion a person is convicted of this offence they will be liable for a fine of \$20,000 (currently \$3,000) and a maximum prison term of 10 years (currently two).

Clause 5 of the Bill amends Schedule 2 to the Act which provides that the VAT on the supply of fish to Pacific Fishing Company Ltd (PAFCO) is zero-rated.

Gender analysis

The provisions as set out in this amendment Bill do not have any disproportionate impact on women and men.

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