



Bill Summary

Service Turnover Tax (Budget Amendment) Bill 2016

Bill No. 38 of 2016

Introduction

The Bill amends the *Service Turnover Tax Decree 2012*¹ ('Decree') which covers tax on the turnover of certain prescribed services. The Decree was first introduced in 2012. A Schedule appended to the Decree lists prescribed services that are subject to Service Turnover Tax (STT). The Bill basically amends the Schedule (See Annex A) to include chartered bus services which are provided to tourists.

STT - How is STT levied? It is levied on the **VAT exclusive cost of turnover of any person conducting a business involving the provision of a prescribed service, at the rate of 10%**.² The Decree has set a 'taxable threshold' and it currently stands at \$1.25million (of gross turnover). So if your business is listed in the Schedule and has an annual turnover of \$1.25m then you are required to register for and apply STT in your service charges to consumers. The threshold was previously \$1.5m but decreased to \$1.25 in 2015.

[See Annex B for the definition of terms used in the Decree]

Previous Amendments to the Decree

The Decree has been amended four times since it was first introduced in 2012.

Year	Legislation	Amendment
2012	<i>Service Turnover Tax (Budget Amendment) Decree 2012</i> [Decree No.75 of 2012] ³	Added new subsection after Section 5(4) - "(4A) In the case of paragraph 14 of the schedule, any person receiving rent on behalf of the owner shall be registered or deemed registered as an accountable person."
2012	<i>Service Turnover Tax (Amendment) Decree 2012</i> [Decree No.43 of 2012] ⁴	<ul style="list-style-type: none"> - deleting "6. Keeping of Records" - deleting "Application" and substituting "Application of the Income Tax Act (Cap. 201)" - Section 1 > deleted "on the tax years commencing" after "force". - S5 new subsection after (4) where anyone in a prescribed service must be registered if they have reasonable grounds to believe that their annual gross turnover will exceed the amount specified in paragraphs 10,11,12 or 13 of the Schedule - S5 new subsection (6) allows for deregistration if the annual gross turnover of the prescribed service during the period of 12 will not be more than the annual gross turnover specified in paragraphs 10, 11, 12 or 13 of the Schedule." - Schedule amended (see Annex A)
2014	<i>Service Turnover Tax (Budget Amendment) Act 2014</i> [Act	<ul style="list-style-type: none"> - Amended para 3 of Schedule (see Annex A) - For the purpose of this paragraph, "bar" includes any

¹ *Service Turnover Tax Decree 2012*, Decree No. 8 of 2012. Available at: www.pacii.org/fj/promu/promu_dec/sttd2012275/ [Accessed 30 June 2016]

² Fiji Revenue & Customs Authority, *Service Turnover Tax*. Available at: <http://www.frca.org.fj/service-turnover-tax/> [Accessed 5 July 2016]

³ *Service Turnover Tax (Budget Amendment) Decree 2012*, [Decree No.75 of 2012]. Available at: www.pacii.org/fj/promu/promu_dec/sttd2012408/ [Accessed 30 June 2016]

⁴ *Service Turnover Tax (Amendment) Decree 2012*, [Decree No.43 of 2012]. Available at: www.pacii.org/fj/promu/promu_dec/sttd2012355/ [Accessed 29 June 2016]



Bill Summary

No.2 of 2014] ⁵	club."; - Amended para 9 by inserting "hired cars or" before "rental"; - Amended (c) in para 11 by deleting "for consumption on the premises of " and substituting "by"; and - Amended (d) in paragraph 12 by inserting ", except for medical or natural disaster relief evacuation services" after "\$300,000",
2015 <i>Service Turnover Tax (Budget Amendment) Act 2015</i> [Act No.17 of 2015] ⁶	- Increase in the STT from 5% to 10% - Amendments to the Schedule (See Annex A) - New part inserted "PART 2A—ANTI-AVOIDANCE Avoidance of Service Turnover Tax" - SST threshold reduced from \$1.5m to \$1.25m (See Annex A)

Objectives, scope and intent of the Bill

The Bill amends the Schedule in the Decree to include chartered bus services to tourists to also charge STT (if their turnover is over \$1.25m per annum).

Summary of provisions

Short title and commencement

Clause 1(1) – the Bill provides that this law may be cited as the *Service Turnover Tax (Budget Amendment) Act 2016*.

Clause 1(2) – the Bill prescribes that when passed this law will come into force on 1 August 2016

Schedule Amended

Clause 2 – the Bill amends paragraph 9 of the Schedule to the *Service Turnover Tax Decree 2012* by inserting “and the provision of chartered transport services to tourists by an omnibus or mini-bus operator” after “1998”.

Ministerial Responsibility - The explanatory notes states that the Act comes under the responsibility of the Minister responsible for Finance.

Gender analysis

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

For Further information:

- Fiji Revenue & Customs Authority, *Service Turnover Tax*. Available at: <http://www.frca.org.fj/service-turnover-tax/> [Accessed 5 July 2016]
- *Service Turnover Tax Decree 2012*, Decree No. 8 of 2012. Available at: www.pacii.org/fj/promu/promu_dec/sttd2012275/
- *Service Turnover Tax (Budget Amendment) Decree 2012*, [Decree No.75 of 2012]. Available at: www.pacii.org/fj/promu/promu_dec/sttad2012408/

⁵ *Service Turnover Tax (Budget Amendment) Act 2014*, [Decree No.2 of 2014]. Available at: www.pacii.org/fj/legis/num_act/sttaa2014395/

⁶ *Service Turnover Tax (Budget Amendment) Act 2015*, [Act No.17 of 2015]. Available at: www.pacii.org/fj/legis/num_act/sttaa2015395/



Bill Summary

- *Service Turnover Tax (Budget Amendment) Act 2014*, [Decree No.2 of 2014]. Available at: www.pacii.org/fj/legis/num_act/sttaa2014395/
- *Service Turnover Tax (Budget Amendment) Act 2015*, [Act No.17 of 2015]. Available at: www.pacii.org/fj/legis/num_act/sttaa2015395/
- *Service Turnover Tax (Amendment) Decree 2012*, [Decree No.43 of 2012]. Available at: www.pacii.org/fj/promu/promu_dec/sttd2012355/

Disclaimer

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Annex A:

Schedule in the *Service Turnover Tax Decree 2012*

Note: Red fonts and text strikethrough are amendments done since 2012.

SCHEDULE

(Section 2)

PRESCRIBED SERVICES

1. Provision of accommodation, refreshments and **any** other services by a licensed hotel. (a) in
2. Any services provided in a vessel that is wholly or principally engaged in the carriage of tourists within Fiji.
3. ~~Provision of meals or drinks~~ **beverages and any other services** in a licensed bar located in any part of a hotel or tavern. **Provision of meals or beverages, and any other services in a licensed bar.**
4. Provision of services such as music, dancing or other ~~reputable~~ **including other services** in a licensed nightclub.
5. Provision of inbound tour services.
6. Live entertainment provided wholly or substantially by the personal participation of artists at the place of performance or exhibition of products, where a fee is charged.
7. Provision of services for recreational activity for gain.
8. Provision of services relating to any exhibition of films to the public or to a section of the public which includes the production of any music, speech or other sound whatsoever in connection with the projection of a film, where the exhibitor is licensed under the Cinematographic Films Act (Cap.271) and a charge is made for admission to the premises which the exhibition is held, including



Bill Summary

any other services provided by cinema operators.

9. Provision of services relating to hire or rent of motor vehicle by a person that operates a business of rental cars licensed by the Land Transport Act 1998.

10. Provision of meals, ~~and beverages~~ **and other services** by bistros or coffee shops and their annual gross turnover is over ~~\$1.5 million dollars~~ **\$1.25 million**.

11. Provision of meals **beverages and other services** regularly supplied on sale to the public for consumption on the premises of a licensed restaurant with an annual gross turnover of over ~~\$1.5 million dollars~~ **\$1.25 million**.

12. Provision of charter flight services provided by an aircraft or helicopter registered with the Civil Aviation Authority of Fiji, ~~with an annual gross turnover of over \$300,000~~.

13. Provision of all water sports including under water activities and river safaris ~~with an annual gross turnover of over \$300,000 dollars~~.

14. Provision of accommodation in a private residence or property that accommodates tourists, international students or overseas visitors who are paying guests ~~with an annual gross turnover of over \$50,000~~ **excluding any pre-school registered by the Ministry of Education, primary school, secondary school, the Fiji National University, Monfort Boystown, the Pacific Regional Seminary, the Pacific Theological College and the University of the South Pacific, or any other similar educational institution as approved by the Commissioner, but does not include any educational institution that is carried on for the purposes of commercial profit or gain to any proprietor, member, or shareholder.**

15. Provision of similar services listed in all the above conducted by an unlicensed operator.

~~16. Provision of any other services indirectly or directly provided by any of the operators listed above.~~



Bill Summary

Annex B:

Definition of Terms used in the *Service Turnover Tax Decree 2012*

Note: These are provided for in the Interpretation Section (S2) of the Decree

accountable person – means the owner, manager, sole precedent partner and otherwise the person who is responsible for the daily management of the prescribed service and is responsible for the collection of tax under Section 3.

Commissioner – means the Chief Executive Officer and Commissioner of Inland Revenue appointed under the Fiji Revenue and Customs Authority Act 1998 and tax laws, or any persons appointed by the Chief Executive Officer for the purposes of this Decree.

prescribed service – means the services listed in the Schedule;

person – means an individual, company, partnership or trust.

precedent partner – relation to a partnership, means the partner who, of the partners resident in Fiji

- (a) is first named in the agreement of partnership;
- (b) if there is no agreement, is named singly or with precedence over the partners in the usual name of the partnership; or
- (c) is the precedent active partner if the partner named with precedence is not an active partner, and includes, where no partner is resident in Fiji, the attorney, agent, manager or factor of the partnership resident in Fiji;

Service Turnover Tax – means the tax imposed under section 3.

turnover - means any sums or amounts received or receivable by or on behalf of the owner of a service in respect of any sums or amounts included in a charge for a prescribed service.
