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CHAPTER 247

VALUE ADDED TAX

Act 12 of 1998	Act 28 of 2002
Act 24 of 1998	Act 30 of 2003
Act 5 of 2000	Act 6 of 2004
Act 45 of 2000	Act 20 of 2005
Act 28 of 2001	Act 47 of 2005

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VALUE ADDED TAX

An Act to impose value added tax which will provide a more equitable taxation system and to provide for its collection.

PART 1 – PRELIMINARY

1. Purpose

An Act to impose value added tax and to provide for its collection.

2. Interpretation

(1) In this Act, unless the context otherwise requires –

“agreement for hire” means an agreement for the bailment of goods for hire but does not include –

- (a) an agreement under which property in the goods passes, or is expressly contemplated to pass, to the bailee; or
- (b) a hire purchase agreement;

“approved aid project” and “approved project” means a project entered into with the consent of the Government of the Republic of Vanuatu;

“associated person” means:

- (a) any 2 persons who are relatives; or
- (b) a partnership and any person where that person is a partner in the partnership; or
- (c) a partnership and any person, where that person and any partner in that partnership are associated persons; or
- (d) a company and any shareholder of that company; or
- (da) a company and any person who is associated with another person who is associated with that company; or
- (e) any 2 companies where any group of persons has voting interests in each of those companies totalling in aggregate 50% or more; or
- (f) a trustee of a trust and a trustee of another trust, if the same person is a settlor of both trusts; or
- (g) any 2 persons one of whom is the trustee of a trust under which the other has benefited or is eligible to benefit, except where, in relation to a supply of goods and services –
 - (i) the trustee is a charitable or non-profit body with wholly or principally charitable, benevolent, philanthropic, or cultural purposes; and
 - (ii) the supply is made in the carrying out of those purposes;

“consideration” includes all forms of consideration but does not include an unconditional gift;

“credit note” means a document provided under section 22(3)(a) of this Act;

“customs duty” means customs duties and other charges imposed under the Import Duties (Consolidation) Act [Cap. 91];

“debit note” means a document provided under section 22(3)(b) of this Act;

“Department” means the Department of the State responsible for the collection of value added tax;

“Director” means the person appointed as the Director for the purposes of this Act or any person acting under the authority of the Director;

“excise tax” means the excise tax imposed under the Excise Act [Cap. 290];

“exempt supply” means a supply of goods or services in Vanuatu which is exempt from tax under section 10(3)(a) and Schedule 1;

“going concern”, in relation to a supplier and recipient, means the situation where:

- (a) there is a supply of taxable activity, or part of a taxable activity where that part is capable of separate operation; and
- (b) all of the goods and services that are necessary for the continued operation of that taxable activity or that part of a taxable activity are supplied to the recipient; and
- (c) the supplier carries on, or is to carry on, that taxable activity or that part of a taxable activity up to the time of its transfer to the recipient;

“goods” means all kinds of real or personal property, but does not include choses in action or money;

“invoice” means a document notifying an obligation to make payment;

“local authority” includes any municipality established under the Municipalities Act [Cap. 126] and any Local Government Council established under the Decentralization Act [Cap. 230];

“Minister” means the Minister of the State responsible for Finance;

“money” includes currency, promissory notes and bills of exchange of Vanuatu or any other country; but does not include a mere collector's piece, investment article or item of numismatic interest;

“non-profit body” means a religious, charitable or other organisation which is carried on other than for the purposes of profit or gain to owners or members of the body and which is prevented by its constitution from making any distribution to owners or members of the body;

“open market value”, in respect of a supply of goods or services, means the consideration in money which the supply would generally fetch if supplied in similar circumstances at that date in Vanuatu in a supply freely offered and made between persons who are not associated persons, and includes any value added tax payable under this Act in respect of the supply;

“person” includes a company, an unincorporated body of persons, an instrument of the State (whether departments, ministries, agencies, or other instruments) and a local authority;

“prescribed form”, for the purposes of sections 12, 16, 17, 21, 22, 23, 26 and 72, is a form prescribed from time to time by the Director;

“recipient”, in relation to any supply of goods and services, means the person receiving the supply;

“records” includes books of account (whether manual, mechanical or electronic) and tax invoices, invoices, credit notes, debit notes and such other documents as are necessary to verify the entries in the books of account including –

- (a) a record of all goods and services supplied by or to the registered person showing the goods and services, and the suppliers or their agents, in sufficient detail to enable the goods and services and the suppliers or their agents to be readily identified by the Director; and
- (b) the system and programme documentation which describes the accounting system used;

“registered person” means a person who is registered under Part 3 or who is liable to be so registered;

“registration threshold amount” means the amount applying under section 12;

“relative”, in relation to any person, means any other person connected with the first-mentioned person by blood relationship, marriage, or adoption; and includes a trustee for a relative; and for the purposes of this definition:

- (a) persons are connected by blood relationship if within the fourth degree of relationship; and
- (b) persons are connected by marriage if one is married to the other or to a person who is connected by blood relationship to the other; and
- (c) persons are connected by adoption if one has been adopted as the child of the other or as a child of a person who is within the third degree of relationship to the other;

“resident of Vanuatu” means –

- (a) In the case of a natural person, that person if the person has spent not less than 12 months in Vanuatu in the preceding 24 month period;
- (b) In the case of a company or an unincorporated body of persons, that company or body if it has its centre of administrative management in Vanuatu;
- (c) in the case of a person that carries on, in Vanuatu, any taxable activity or any other activity while having any fixed or permanent place of residence or business in Vanuatu relating to that taxable activity or other activity;

“second hand goods” does not include livestock and land;

“services” means any thing which is not goods or money;

“State” means the Republic of Vanuatu;

“supplier”, in relation to any supply of goods and services, means the person making the supply;

“supply” includes all forms of supply and the extended meanings in section 3 of this Act; and “supplies”, “supplier” and “supplied” have corresponding meanings;

“tax file number” means any identification number that has been allocated to a person by the Director for the purposes generally of this Act;

“tax invoice” means a document provided under section 21;

“taxable period”, in relation to a registered person, means a taxable period determined under section 15;

“taxable supply” means a supply of goods or services in Vanuatu which is charged with value added tax under Part 11, including where the rate of tax is 0%;

“taxpayer” means any person liable for any tax hereunder;

“Tribunal” means the Value Added Tax Tribunal established under Part 12;

“unconditional gift” means a payment voluntarily made to any non-profit body for the carrying on or carrying out of the purposes of that non-profit body and in respect of which no identifiable direct valuable benefit arises or may arise in the form of a supply of goods and services to the person making that payment, or any other person where that person and that other person are associated persons; but does not include any payment made by the State or an instrument of the State.

- (2) For the purposes of this Act, all amounts of money are to be expressed in terms of Vanuatu currency, and if any such amount is consideration in money for supply, that amount is to be expressed in terms of Vanuatu currency as at the time of that supply.

3. Extended meaning of term "supply"

- (1) If goods or services acquired or produced by a registered person in the course of carrying on a taxable activity are supplied by a creditor in satisfaction of the registered person's debt, the goods or services are to be treated as if supplied by the registered person in the course of the taxable activity.
- (2) If a payment in the nature of a grant or subsidy is made by the State to a person in respect of the person's taxable activity, the payment is to be treated as consideration for the supply of goods or services by the person in Vanuatu in the course of the person's taxable activity.
- (3) If a person ceases to be a registered person, goods and services then forming part of the assets of a taxable activity of the person are to be treated as if supplied by the person in the course of the taxable activity immediately before the cessation of registration.
- (3A) Subsection (3) does not apply in respect of any goods admitted as a temporary import under clause X.43 of Schedule 2, or clause X.65 of Schedule 2, of the Import Duties [Consolidation] Act [Cap. 91] for use in an approved aid project if the Director is satisfied that those goods have been exported from Vanuatu by the registered person.
- (4) An indemnity payment received by a registered person under a contract of insurance will be treated as if it were consideration received for a supply of services made on the date of receipt in the course of the registered person's taxable activity, if and to the extent that –
- (a) The supply of the insurance was a taxable supply by the insurer;
 - (b) The loss of the registered person was incurred in the course of the registered person's taxable activity; and
 - (c) The payment is not to indemnify the registered person for loss of employment services earnings.
- (5) If a person pays an amount of money to participate in lotteries or any other legal game of chance, the money paid is to be treated as consideration for a supply of services by the person conducting the game of chance.
- (6) If a person pays to a casino an amount of money –
- (a) to purchase a chip or otherwise to participate in a game played in the casino; or
 - (b) as commission in respect of participation in such a game,
- the money paid is to be treated as a supply of services by the casino operator.

- (7) For the purposes of this Act, if a supply is charged with tax in part at the standard rate under section 11(1) and in part at zero rate under section 11(2), each such part is to be treated as a separate supply.
- (8) For the purposes of this Act, every local authority is deemed to supply goods and services to any person where any amount of municipal tax is payable by that person to that local authority.
- (9) Any contract that is a lay-by sale does not constitute a supply of goods and services unless the goods to which the contract relates are delivered to the buyer and the property therein is transferred to the buyer:
Provided that a supply of services will, in respect of any such contract, be deemed to take place where –
- (a) a lay-by sale is cancelled; and
 - (b) the seller either –
 - (i) retains any amount paid to the seller to recoup that seller's selling costs in respect of the lay-by sale; or
 - (ii) recovers any amount (including, or in addition to, the amount referred in subparagraph (i)) from the buyer.
- (10) Subject to subsection (3), to the extent that goods and services acquired by a registered person for the principal purposes of making taxable supplies are subsequently applied by that person, or an associated person of that person, for a purpose other than that of making taxable supplies, they shall be treated as being supplied by that person in the course of that taxable activity to the extent that they are so applied.
- (11) Subject to subsection (12), if goods or services acquired or produced by a registered person in the course of carrying on a taxable activity are supplied to an employee of the registered person, or an associated person of an employee of that registered person, for consideration that is less than the cost of those goods or services to the registered person, the goods or services are to be treated as if supplied by the registered person in the course of the registered person's taxable activity.
- (12) Subsection (11) does not apply in respect of any goods or services if:
- (a) the goods or services are consumed as part of and during the hours of the employee's employment duties; or
 - (b) the Director considers that the supply of those goods or services provides a direct benefit to the taxable activity carried on by the registered person.

4. Meaning of term "taxable activity"

- (1) For the purposes of this Act, the term "taxable activity" means any activity (personal, professional, corporate or otherwise) carried on continuously or regularly and involving the supply of goods or services to any other person for a consideration.
- (2) Without limiting subsection (1), the term "taxable activity" includes any activity referred to in subsection (1) carried on –
- (a) without the intention of making a profit; or
 - (b) by the State or an instrument of the State; or
 - (c) by an association or club.
- (3) Notwithstanding subsections (1) and (2), the term "taxable activity" does not include –

- (a) any activity carried on by a natural person essentially as private recreation or a hobby; or
 - (ab) any activity carried on by a company registered under the International Companies Act [Cap. 222]; or
 - (b) any engagement, occupation, or employment under any contract of service or as a director of a company:

Provided that, where any person in carrying on any taxable activity, accepts an office, any services supplied by that person as the holder of that office shall be deemed to be supplied in the course or furtherance of that taxable activity;
or
 - (c) Any activity to the extent to which it involves making exempt supplies.
- (4) Anything done in connection with the commencement or termination of a taxable activity, including its supply as a going concern, is to be treated as if done in the course of the taxable activity.

5. Time of supply

- (1) Subject to this Act and in particular the following subsections of this section, for the purposes of this Act a supply of goods or services is to be treated as taking place at the earliest of the times –
- (a) an invoice is issued by the supplier or recipient in respect of the supply;
 - (b) a payment is received by the supplier in respect of the supply.
 - (c) (*repealed*)
- (2) If a supply is treated as being made by a casino operator under section 3(6), it is to be treated as taking place at the time a casino count takes place. For the purposes of this section, "casino count", in relation to a casino, means a count of money or money's worth paid for the right to participate in gaming in that casino.
- (3) If a supply is treated as taking place under section 3(5) (which relates to games of chance), the time of supply is to be treated as being the date on which the first drawing or determination of a result commences.
- (4) If the supply is for consideration received by the supplier in the form of a coin or token inserted into a machine, the supply is to be treated as taking place at the time the coin or token is removed from the machine.
- (5) If –
- (a) goods are supplied under an agreement for hire; or
 - (b) services are supplied under an agreement or Act which provides for periodic payments,
- the goods or services are to be treated as being supplied successively, when and to the extent that a payment is due or is received (whichever is earlier).
- (6) If goods or services are supplied progressively or periodically under an agreement or Act which provides for consideration in instalments by reference to the progressive or periodic supplies, the goods or services are to be treated as being supplied successively, when and to the extent that a payment is due, a payment is received or an invoice is issued relating only to that payment (whichever is the earliest).
- (7) If goods or services are supplied under a hire purchase agreement, the time of supply is the time the agreement is entered into.

- (8) If goods are delivered by a supplier at a time when the consideration for the supply cannot finally be determined, the supply is to be treated as taking place successively when and to the extent that a payment is due, a payment is received or an invoice relating only to the payment is issued (whichever is the earliest).

6. Value of supply

- (1) Subject to this section, for the purposes of this Act, the value of a supply of goods or services will be the aggregate of –

- (a) the consideration in money for the supply, if any; and
- (b) the open market value of the consideration for the supply which is not in money, if any –

reduced by the amount of value added tax charged to the supplier in respect of the supply.

- (2) If the parties to a supply are associated persons and the relationship has resulted in a reduction in the consideration for the supply to an amount below the open market value, the consideration will be deemed to be equal to the open market value for the supply.
- (3) Subsection (2) of this section will not apply to any supply to a person who is entitled under section 19(4) to a deduction for the whole of the tax charged in respect of the supply.
- (4) If goods or services are deemed by section 3(3) or 3(10) or 3(11) to be supplied, the consideration in money for the supply is to be treated as being the lesser of –
- (a) the cost of the goods or services (inclusive of any tax charged in respect of the acquisition) to the supplier; and
 - (b) the open market value of the supply.
- (5) If a supply of second-hand goods to a non-resident is not zero-rated due only to the proviso to paragraph 1 of Schedule 3, the consideration in money for the supply will be treated as being equal to the purchase price of the goods to the supplier.
- (6) If a supply is treated as being made by a casino operator under section 3(6), the consideration in money for the supply will be equal to the amount paid to purchase or participate less any amount paid out by the casino as winnings.
- (7) If a supply of services is deemed to be made under section 3(5), (which relates to games of chance), the consideration in money for the supply will be treated as being the portion of the amount paid to participate as is equal to the portion of the total proceeds of the game which is left after deducting all amounts paid out as prizes.
- (8) If a right to receive goods or services for a monetary value stated on a token, stamp (not being a postage stamp) or voucher is granted for consideration in money, the supply will be disregarded except to the extent (if any) that the consideration exceeds the monetary value.
- (9) If a taxable supply is not the only matter to which a consideration relates, the supply will be treated as being for such consideration as is properly attributed to the taxable supply.
- (10) Subject to the preceding subsections of this section, if a supply is made for no consideration, the value of the supply is nil.

7. Place of supply

- (1) For the purposes of this Act, goods and services are deemed to be supplied in Vanuatu if the supplier is resident in Vanuatu, and are deemed to be supplied outside of Vanuatu if the supplier is not resident of Vanuatu.
- (2) Subject to subsection (3), goods and services are deemed to be supplied in Vanuatu if the supplier is not resident in Vanuatu and either:
 - (a) the goods are in Vanuatu at the time of supply; or
 - (b) the services are physically performed in Vanuatu by any person who is in Vanuatu at the time the services are performed.
- (3) If goods or services that are deemed to be supplied in Vanuatu pursuant to subsection (2) are supplied to a registered person who is entitled to a deduction under section 19(4) in respect of that supply, those goods or services are deemed to be supplied outside of Vanuatu unless the supplier and recipient agree that this subsection does not apply to that supply.

8. (Repealed)

9. Application of the Act to the State

- (1) Subject to this section, this Act will apply to the State, or an agency of the State, if liable to be a registered person and carrying on a taxable activity.
- (2) Each instrument or agency of the State will be treated as a separate person for the purposes of liability to tax under this Act.

PART 2 – IMPOSITION OF TAX

10. Imposition of value added tax

- (1) Subject to the provisions of this Act, there will be assessed, levied and paid for the use of the State a tax herein referred to as value added tax.
- (2) Subject to the provisions of this Act, value added tax will be payable by –
 - (a) any registered person on account of any supply of goods or services made in Vanuatu in the course of carrying on a taxable activity, with the amount of tax measured by reference to the value of the supply; and
 - (b) any person imparting goods into Vanuatu for home consumption, with the amount of tax measured by reference to the aggregate of the value of the goods for the purposes of customs duty determined under the Import Duties [Consolidation] Act [Cap. 91] and the items specified in section 11(1)(b).
- (3) Notwithstanding subsection (2), no value added tax will be payable –
 - (a) in respect of a supply of goods or services in Vanuatu which is one of the exempt supplies listed in Schedule 1, unless the supply would (but for this paragraph) be subject to tax at a 0% rate under section 11(2);
 - (b) In respect of an importation of goods into Vanuatu which is one of the exempt importations listed in Schedule 2.
- (4) The provisions of Parts 5, 6, 7 and 8 are not applicable to tax payable on importation under section 10(2)(b) and, subject to subsection (5), that tax will be collected and paid as if it were a customs duty levied on the importation of goods under the Import Duties [Consolidation] Act [Cap. 91].
- (5) The provisions of the Import Duties [Consolidation] Act [Cap. 91] that provide for the refund of duty in certain circumstances will:

- (a) in respect of the valued added tax on goods that are temporary exports that are re-imported, by the same person as the person who exported them from Vanuatu, apply only if, at the time of their export from Vanuatu, those goods were not part of –
 - (i) a supply of goods charged with tax at the rate of zero percent pursuant to section 11; or
 - (ii) a supply of goods, made before 1 August 1998, that would have been charged with tax at the rate of zero percent pursuant to section 11 if the supply of those goods had taken place on 1 August 1998; and
- (b) In respect of the value added tax on any other goods, not apply in respect of goods imported by a registered person for the purpose of carrying on that person's taxable activity.

11. Rates of tax

- (1) The rate of value added tax will be 12.5% of –
 - (a) except in the case of importation, the value of the supply;
 - (b) in the case of importation, the aggregate of –
 - (i) the value of the goods for the purposes of customs duty; and
 - (ii) the amount of customs duty payable; and
 - (iia) the amount of excise tax payable; and
 - (iii) the amount paid or payable to transport the goods to Vanuatu and to insure the goods for such transport,unless subsection (2) applies.
- (2) Notwithstanding subsection (1), the rate of tax will be 0% of the value of the supply in the case of a supply in Vanuatu by a registered person which is one of the zero-rated supplies listed in Schedule 3.

PART 3 – REGISTRATION

12. Registration of persons making taxable supplies

- (1) Subject to this section, every person who carries on a taxable activity and is not already registered becomes liable to be registered under this Act –
 - (a) at the end of any month if the total value of supplies made in Vanuatu by the person in the year which ends with that end of that month in the course of carrying on taxable activities has exceeded four million vatu; or
 - (b) at the start of any month if there are reasonable grounds for believing that the total value of supplies made in Vanuatu by the person in the year which starts at the start of that month in the course of carrying on taxable activities will exceed the registration threshold amount.
- (2) In determining whether the total value of supplies exceeds the registration threshold amount –
 - (a) the value of exempt supplies will be disregarded; and
 - (b) the value of supplies will be disregarded if and to the extent that the Director is satisfied that the supply is solely as a consequence of –

- (i) any cessation of, or substantial and permanent reduction in the size or scale of, a taxable activity carried on by the person; or
 - (ii) the replacement of any plant or other capital asset used in any taxable activity carried on by the person.
- (3) Every person who, under subsection (1) becomes liable to be registered must apply to the Director in the prescribed form for registration under this Act within 21 days of becoming so liable and must provide the Director with such other information as the Director may consider relevant.
- (4) Notwithstanding subsections (1) and (3), every person who satisfies the Director that –
 - (a) the person is carrying on a taxable activity; or
 - (b) the person intends to carry on a taxable activity from a specified date,may apply to the Director in the prescribed form for registration under this Act, and must provide the Director with such other information as the Director may consider relevant.
- (5) If a person has applied for registration under subsection (3) or subsection (4) and the Director is satisfied that the person is eligible to be registered under this Act, the person will be registered for the purposes of this Act with effect from such date as the Director determines.
- (6) If a person has not applied for registration under subsection (3) and the Director is satisfied that the person is liable to be registered under this Act, the person will be deemed to be registered for the purposes of this Act with effect from the date on which the person first became liable to be registered under this Act (unless the Director determines that it would be equitable for the person to be deemed to be registered from a later date stipulated by the Director).
- (7) Section 6 applies to determine the value of supplies for the purposes of this section except that no regard will be had to any amount of consideration payable in order to recover tax charged in respect of the supplies.
- (8) A registered person who receives a supply of goods or services must provide details of that supply to the Director within one month after receiving the supply if:
 - (a) the registered person has not received a tax invoice from the supplier of the goods or services within 28 days of requesting such a tax invoice; and
 - (b) the registered person has reasonable grounds for believing that the total value of all supplies made by that supplier will exceed the registration threshold amount in the year the supplies were made.

13. Cancellation of registration

- (1) A registered person will cease to be liable to be registered at any time if the total value of supplies to be made in Vanuatu by the person in the year which starts at that time will be below the registration threshold amount.
- (2) If a registered person ceases to be liable to be registered, the person may request the Director in writing to cancel the person's registration.
- (3) If the Director is satisfied that a registered person who has applied for cancellation is no longer liable to be registered, the Director will cancel the person's registration with effect from the last day of the taxable period in which the application for cancellation was made (or with effect from such other date as the Director may stipulate).
- (4) If the Director is satisfied that a registered person is no longer liable to be registered and the person has not applied for cancellation, the Director may nevertheless cancel

the person's registration with effect from the last day of the taxable period in which the Director gives notice to the person of the cancellation.

- (5) The obligation and liabilities under this Act of any person in respect of anything done, or omitted to be done, by that person while that person is a registered person will not be affected by the fact that the person ceases to be a registered person or by the fact that the Director has cancelled the person's registration.

14. Registered person to notify change of status

Every registered person will within 21 days notify the Director in writing of –

- (a) any change in the name, address or nature of the principal taxable activity or activities of the registered person;
- (b) any change in the address from which, or the name in which, a taxable activity is carried on by the registered person;
- (c) any change where the registered person, being a member of a group of companies under section 45 of this Act, ceases to be eligible to be a member of the group.

PART 4 – RETURNS AND PAYMENTS

15. Taxable periods

- (1) Each registered person will be placed by the Director in one of the following categories for the purposes of this Act –
- (a) Category A, with taxable periods of one month ending on the last day of each month in each year; and
- (b) Category B, with taxable periods of three months ending on the last day of such months in any year as may be determined by the Director, provided that for the first taxable period that ends after 1 August 1998, the Director may stipulate a taxable period of two months.
- (2) Each registered person who is not placed in Category B under subsection (3) will be placed by the Director in Category A.
- (3) The Director may place a registered person in Category B only if the person has made written application and the total value of that person's taxable supplies has not, in the twelve months ending with the last day of any month, exceeded eight million vatu or such other amount as the Minister may, from time to time, declare by order.
- (4) For the purposes of subsection (3) of this section, the total value of a registered person's taxable supplies will be deemed not to have exceeded any amount specified in or under that subsection where that total value exceeds any such amount solely as a consequence of –
- (a) any cessation of, or any substantial and permanent reduction in the size or scale of, any taxable activity carried on by that registered person; or
- (b) the replacement of any plant or other capital asset used in any taxable activity carried on by that registered person.
- (5) Subject to subsection (3), the Director may from time to time direct that a registered person change from category A to category B or, as the case may be, category B to category A and the change will take effect immediately after the end of the taxable period in which the Director notifies the registered person of the change.

16. Returns

- (1) Every registered person will furnish to the Director, in the prescribed form, a tax return for each taxable period showing the amount of tax payable in respect of the taxable period as calculated under section 19:
 - (a) for any taxable period ending on 30 November, by the 5th day of January following the taxable period, unless that day is not a working day in which case the return must be furnished by the working day which immediately succeeds the 5th day; and
 - (b) for any other taxable period by the 27th day of the month following the taxable period, unless that day is not a working day in which case the return must be furnished by the working day which immediately succeeds the 27th day.
- (2) If goods are treated as being supplied under section 3(1) (which relates to a creditor selling goods of a registered person in satisfaction of a debt), the creditor selling the goods (whether or not a registered person) must furnish a special return, in the prescribed form, by the 27th day of the month following the taxable period in which the supply occurs and –
 - (a) the creditor and the debtor must. exclude the supply and any tax charged on the supply from any other return; and
 - (b) the tax charged will be treated as tax payable under this Act by the creditor.
- (3) In addition to the returns specified in subsections (1) and (2), the Director may require any person to furnish a return to the Director, in the prescribed form, at any time for the purposes of this Act.
- (4) The Director, for good cause shown, may extend the time for making the return on the application of any registered person and grant such reasonable additional time within which to make the same as may, by the Director, be deemed advisable.

17. Accounting basis

- (1) A registered person may elect to account for tax payable on either an invoice basis or a payments basis and will notify the Director of the election in the prescribed form.
- (2) In any case where a person fails to elect a basis for accounting for tax payable under subsection (1), the registered person will be deemed to have elected to account for tax payable on a payments basis.
- (3) The Director may, on application in writing by a registered person, approve a change in the basis for accounting for tax payable by the registered person and the change will take effect from the beginning of the next taxable period that follows the receipt of the application by the Director or of such later taxable period as the Director approves.
- (4) Where a registered person changes the basis for accounting for tax payable under subsection (3), the registered person will:
 - (a) prepare a list of creditors of the registered person in relation to that person's taxable activity, showing the amounts due by that person as at the last day of the taxable period preceding that in which the change takes effect; and
 - (b) prepare a list of debtors of the registered person in relation to that person's taxable activity, showing the amounts due to that person as at the last day of the taxable period preceding that in which the change takes effect.
- (5) The particulars required to be furnished under subsection (4) will be furnished to the Director not later than the last day for furnishing a return under section 16 for the taxable period preceding that in which the change takes effect.

18. Tax payable or refund where change in accounting basis

- (1) Every registered person whose accounting basis changes under section 17 will, not later than the last day allowed under section 17(5) for furnishing particulars in respect of the change, pay the Director the tax payable, if any, as determined under this section.
- (2) If a registered person changes from an invoice basis to a payments basis of accounting, the tax payable will be an amount determined in accordance with the following formula:

$$a - b$$

where –

- a is the aggregate amount able to be deducted under section 19(4) in relation to the amounts due that are required to be shown in the list of creditors required to be prepared by the person under section 17; and
- b is the aggregate amount of the tax payable under section 19(3) in relation to the amounts due that are required to be shown in the list of debtors to be prepared by the person under section 17.
- (3) If a registered person changes from a payments basis to an invoice basis of accounting, the tax payable will be an amount determined in accordance with the following formula:

$$a - b$$

where –

- a is the aggregate amount of the tax payable under section 19(3) in relation to the amounts due that are required to be shown in the list of debtors to be prepared by the person under section 17; and
- b is the aggregate amount able to be deducted under section 19(4) in relation to the amounts due that are required to be shown in the list of creditors to be prepared by the person under section 17.
- (4) If the amount determined under subsection (2) or (3) is a negative amount, the amount will be refunded by the Director to the registered person under section 41.

19. Calculation of tax payable or refund due

- (1) Every registered person will calculate the amount of tax payable by, or refund due to, the registered person in respect of each taxable period under the rules in this section.
- (2) The tax payable or refund amount is calculated by –
- (a) adding the amounts referred to in subsection (3); and
- (b) deducting the amounts referred to in subsection (4) but subject to subsections (5), (6) and (7).
- (3) The amounts to be added are –
- (a) in respect of supplies made by the registered person –
- (i) if the registered person accounts for tax on an invoice basis, all amounts of tax payable in respect of supplies where the time of supply falls during the taxable period; and
- (ii) if the registered person accounts for tax on a payments basis, all amounts of tax payable in respect of supplies to the extent that payment for the supply has been received during the taxable period; and

-
- (b) all amounts to be added under section 22(2) or (7) (which relate to subsequent period adjustments) or section 23(2) (which relates to recovered bad debts).
- (4) The amounts able to be deducted are –
- (a) all amounts of tax payable by other registered persons in respect of supplies made to the first registered person –
- (i) if the first registered person accounts for tax on an invoice basis, where the time of supply falls during the taxable period; and
 - (ii) if the first registered person accounts for tax on a payments basis, to the extent that a payment in respect of the supply has been made during the taxable period,
- but subject to subsections (5), (6) and (7); and
- (b) all amounts of tax payable under section 10(2)(b) by the registered person in respect of the importation of goods –
- (i) if the registered person accounts for tax on an invoice basis, where the tax is invoiced under the Import Duties (Consolidation) Act [Cap. 91] or paid (whichever is the earlier) during the taxable period; and
 - (ii) if the registered person accounts for tax on a payments basis, to the extent that payment of the tax is made during the taxable period,
- but subject to subsections (5) and (6); and
- (c) amounts equal to one-ninth of the consideration in money for all supplies of second-hand goods to the registered person –
- (i) if the registered person accounts for tax on an invoice basis, the time of supply falls during the taxable period; and
 - (ii) If the registered person accounts for tax on payments basis, to the extent the consideration is paid during the taxable period; and
 - (iii) the place of supply is in Vanuatu; and
 - (iv) the goods are not supplied by a supplier who is not resident in Vanuatu and who has previously supplied the goods to a registered person who has entered the goods for home consumption under the Import Duties (Consolidation) Act [Cap. 91],
- and subject to subsections (5) and (6) of this section; and
- (d) all amounts deductible under section 22(2) or (8) (which relate to subsequent period adjustments) or section 23(1) (which relates to bad debts); and
- (e) amounts equal to one-ninth of any payments made during the taxable period by the registered person to indemnify another person under a contract of insurance but only if –
- (i) the supply of the contract of insurance is a taxable supply; and
 - (ii) the payment is not in respect of the supply of goods or services to the registered person or importation of goods by the registered person; and
 - (iii) the supply of the contract of insurance was not subject to tax at the 0% rate in any case where the other person is, at the time of payment, neither a registered person nor resident in Vanuatu; and

- (iv) the payment does not result from a supply of goods or services to the other person where the place of supply is outside Vanuatu; and
 - (v) the payment is not to indemnify the other person for loss of employment services earnings.
- (5) An amount to which subsection (4)(a), (4)(b) or (4)(c) refers –
 - (a) will be wholly deductible if the goods or services are acquired by the registered person wholly for the purposes of making taxable supplies;
 - (b) if the goods or services are acquired by the registered person partially for the purposes of making taxable supplies, will be deductible only to the extent that the goods or services are acquired for the purposes of making taxable supplies.
- (6) In a case to which subsection (5)(b) applies, the extent to which goods or services are acquired for the purposes of making taxable supplies will be determined –
 - (a) having regard only to the circumstances existing in the taxable period of acquisition or such longer period as the Director considers equitable; and
 - (b) by the Director, if the extent cannot correctly be determined otherwise.
- (7) No deduction will be made for –
 - (a) an amount referred to in subsection (4)(a) or (4)(d) unless –
 - (i) a tax invoice provided under section 21 or debit or credit note provided under section 22 in respect of the supply is held by the registered person when the return is filed; or
 - (ii) none of a tax invoice, credit note or debit note is required to be provided in respect of the supply;
 - (b) an amount referred to in subsection (4)(c) unless the registered person keeps the records referred to in section 21(6);
 - (c) an amount referred to in subsection (4)(c) to the extent to which –
 - (i) the supplier of the second-hand goods and the registered person are associated persons; and
 - (ii) consideration for the supply exceeded the open market value of the supply.
- (8) A deduction in calculating the tax payable or refund due for a taxable period will also be available if and to the extent that –
 - (a) a deduction would have been available in an earlier taxable period but for the fact that the registered person did not hold a tax invoice and the registered person holds such a tax invoice at the time the return is filed for the later taxable period;
 - (b) a deduction could have been claimed in an earlier taxable period but was not in fact included in a return for an earlier taxable period.
- (9) For the purposes of subsection (4)(c), the following goods will be deemed to be second-hand goods where the time of supply is the first day of the first taxable period following the registration of the registered person:
 - (a) goods and services acquired or produced after 1 August 1998 by the person other than for the purposes of making taxable supplies which are subsequently applied in any taxable activity by that person or, where that

person is a member of a partnership, by that partnership for the purposes of making taxable supplies; and

- (b) goods and services that were previously deemed under section 3(3) to be supplied to the person because the person ceased to be a registered person that are subsequently applied by that person, or by a partnership of which that person is a partner, for the purposes of making taxable supplies:

Provided that the consideration in money for those goods and services will be deemed to be the lesser of –

- (c) the cost of those goods and services, including any tax charged or any tax deducted in respect of those goods and services;
- (d) the open market value of the supply of those goods and services.

(10) If the calculation in a return produces –

- (a) a positive amount, the amount will be tax payable by the registered person under section 20;
- (b) a negative amount, the amount will be a refund due to the registered person under section 41.

20. Payment of tax

- (1) A registered person must pay any tax payable calculated under section 19 for a taxable period by the day on which the return must be filed for the period.
- (2) Subject to Parts 5 and 6, the amount of tax payable calculated in a return furnished by the registered person will be conclusively treated as being correct for the purposes of this Act.
- (3) All remittances of tax will be made by money, bank draft, cheque, cashier's cheque, money order, or certificate of deposit to the office of the Department nearest to the principal place of business of the registered person, the office of the Department in Port Vila, or such other place as may be determined by the Minister and notified in the Gazette. The Department will issue its receipts there to the taxpayer and will pay the moneys into the Vanuatu Government account to be kept and accounted for as provided by law.

21. Tax invoices

- (1) Subject to this section, a registered person making a taxable supply to another registered person must provide the other registered person with a tax invoice within 28 days of the other registered person requesting such a tax invoice.
- (2) A recipient of a supply of goods or services who is a registered person may create a document which is treated as a tax invoice provided by the supplier under subsection (1) if –
 - (a) the document otherwise complies with the requirements of this section; and
 - (b) the Director has previously granted approval for the issue of such a document by such a recipient; and
 - (c) the supplier and the recipient agree that the supplier will not issue such a tax invoice; and
 - (d) the supplier is provided with a copy of the document; and
 - (e) the words "buyer created tax invoice – VAT approved" are contained on the document in a prominent place.
- (3) The tax invoice must contain the particulars specified in the prescribed form.

- (4) A registered person must not provide more than one tax invoice for a taxable supply, unless the other registered person claims to have lost the original, in which case a copy can be provided clearly marked "copy only".
- (5) Notwithstanding the preceding subsections, a registered person is not required to provide a tax invoice if –
 - (a) the consideration in money for the supply does not exceed VT 5,000 (or such greater amount as the Minister may declare by order); or
 - (b) the Director determines that sufficient records will exist to establish the particulars of the supply and it would be impractical to require issue of a tax invoice.
- (6) A registered person who acquires second hand goods under a supply which is not a taxable supply must keep records of the supply showing the particulars specified in the prescribed form.
- (7) Subsection (6) will not apply if the consideration in money for the supply does not exceed VT 5,000 (or such greater amount as the Minister may declare by order).

22. Credit and debit notes

- (1) This section applies if, in relation to a supply of goods and services by a registered person –
 - (a) the supply has been cancelled; or
 - (b) the nature of the supply has been fundamentally varied or altered; or
 - (c) the agreed consideration for the supply has been altered; or
 - (d) all or part of the goods or services have been returned to the registered person,and the registered person has –
 - (e) provided a tax invoice in respect of the supply which is incorrect; or
 - (f) furnished a return for the relevant taxable period which shows an incorrect amount of tax payable or refund due,as a result of one or more of these events.
- (2) If the registered person has accounted for an incorrect amount of tax payable or refund due, –
 - (a) the registered person will make an adjustment in calculating the tax payable or refund due by the registered person in the return for the taxable period during which it has become apparent that a correction is needed; and
 - (b) if the tax properly payable by the registered person in respect of the supply exceeds the tax accounted for, the excess is to be treated as tax payable in relation to a taxable supply in the later taxable period and not in the original taxable period; and
 - (c) if the tax properly payable by the registered person in respect of the supply is less than the tax accounted for, the registered person will make a deduction of the difference under section 19(4) in respect of the later taxable period.
- (3) If a tax invoice to which subsection (1)(e) refers has been provided and –
 - (a) the amount shown as tax payable on the invoice exceeds the correct amount of tax payable, the registered person must provide the recipient with a credit note;

- (b) the amount shown as tax payable on the invoice is less than the correct amount payable, the registered person must provide the recipient with a debit note,
containing the particulars specified in the prescribed form.
- (4) A registered person –
- (a) must not issue more than one credit note or debit note in respect of the same excess or difference; and
- (b) may issue to a recipient a copy of a credit note or debit note if the recipient claims to have lost the original and the copy is clearly marked "copy only"; and
- (c) is not required to provide a recipient with a credit note if and to the extent that the excess results from a prompt payment discount which is clearly described on the face of the tax invoice.
- (5) If a recipient of a supply who is a registered person has created a document which complies with the requirements of this section in respect of a credit note or debit note in respect of that supply which could have been issued by the supplier, the document will be treated as if issued by the supplier under this section if –
- (a) the Director has granted prior approval to the issue of such a document by such a recipient; and
- (b) the supplier and the recipient have agreed that the supplier will not issue such a credit note or debit note; and
- (c) the supplier does not in fact issue such a credit note or debit note; and
- (d) the supplier is provided with a copy of the credit note or debit note.
- (6) A registered person is not required to issue a credit note or debit note if the Director determines that sufficient records will exist to establish the particulars of the supply and it would be impractical to require issue of a credit note or debit note.
- (7) If a recipient, being a registered person, –
- (a) has been issued with a credit note under this section or otherwise knows that a tax invoice held by the recipient is incorrect as a result of one of the events listed in subsection (1); and
- (b) has made a deduction under section 19(4) in respect of tax payable on the relevant supply,
an amount equal to any excess of the tax for which a deduction has been made over the tax actually payable is to be treated as tax payable by the recipient in respect of a taxable supply made by the recipient in the taxable period in which the credit note or the knowledge is received.
- (8) If a recipient, being a registered person, –
- (a) has been issued with a debit note under this section; and
- (b) has made a deduction under section 19(4) in respect of the tax payable on the relevant supply,
an amount equal to any excess of the tax actually payable over the tax for which a deduction has been made is to be treated as a deduction available to the recipient under section 19(4) for the taxable period in which the debit note is received.

23. Bad debts

- (1) If a registered person –

- (a) has made a taxable supply for consideration in money; and
- (b) has furnished a return for the taxable period in which the time of supply fell; and
- (c) has properly accounted for the tax payable on the supply as required under this Act; and
- (d) has written off as a bad debt the whole or part of the consideration in money not paid to the registered person; and
- (e) has provided to the Director in a prescribed form such information as will satisfy the Director that the debt has been properly written off,

the registered person will make a deduction under section 19(4) for that proportion of the tax payable in respect of the supply which the bad debt represents as a proportion of the total consideration for the supply.

- (2) If an amount in respect of which a deduction has been made under subsection (1) is subsequently wholly or partly recovered, the portion of the deduction which is equal to the portion which the recovered amount is of the bad debt is to be treated as tax payable in respect of a taxable supply by the registered person during the taxable period in which the recovery takes place.

PART 5 – ASSESSMENT OF TAX

24. Assessment of tax

- (1) The Director may, from time to time, from returns furnished under this Act or from other information, make assessments of the amount which the Director considers is the tax payable under this Act by any person.
- (2) If –
 - (a) a person is not satisfied with a return furnished by the person or by another person under section 16(2) in respect of goods supplied to satisfy a debt owed by the person; and
 - (b) the person requests the Director to alter the return; and
 - (c) the Director has not already made an assessment of the tax payable in respect of the taxable period to which the return relates,the Director will make an assessment of the amount that the Director considers is the tax payable under this Act.
- (3) Any person assessed by the Director as being liable to tax will be liable to pay the tax assessed except to the extent that the person establishes on objection that the tax is not payable.
- (4) The Director may from time to time amend an assessment to ensure its correctness.
- (5) If an assessment or amended assessment is made under this section, the Director will –
 - (a) cause notice of the assessment or amended assessment to be given to the person liable to pay the tax; and
 - (b) in the case of an assessment in respect of a return under section 16(2), send a copy of the assessment to whichever of the person whose goods were supplied and the person selling the goods is not the person assessed,

but failure to give notice will not invalidate the assessment.

- (6) If –
- (a) an assessment is not made until, or increased, after the due date of payment of tax; and
 - (b) the Director is satisfied that the person has not been negligent in making due and complete returns;
- the Director must set a new due date for payment being one calendar month after the date of the assessment.
- (7) For the purposes of Parts 4 (which relates to returns and payments), 7 (which relates to recovery of tax) and 10 (which relates to offences and penalties), if –
- (a) a person, not being a registered person, supplies goods and services and represents that tax is payable on that supply; or
 - (b) a person furnishes, or makes default in furnishing, a return required to be made by the person under section 16(2),
- the person will be treated as being a registered person and any tax represented to be payable on the relevant supply by the person will be tax payable by the person.

25. Correctness of assessments

Except in objection proceedings under Part 6, an assessment by the Director may not be disputed in any court and will be conclusively deemed and taken to be correct and the liability to tax of the person assessed will be determined accordingly.

PART 6 – OBJECTIONS

26. Objections

- (1) Any person who has been assessed for value added tax for any taxable period may object either personally or by the person's agent against the assessment by lodging with the Director an objection in writing to the assessment within twenty eight days of the date upon which the notice of assessment has been served upon the person or the person's agent or, where such notice has been posted, the date of posting.
- (2) If the assessment is an amended assessment, the person so assessed will have no further right to objection except to the extent to which, by reason of the amendment, a fresh liability in respect of any particular is imposed on the person or an existing liability in respect of any particular is increased.
- (3) An objection made under subsection (1) will be lodged in a prescribed form stating fully and in detail the grounds of the objection.
- (4) If the Director is satisfied that there is no suitable mail or means of delivery by which a written notice of objection can reach the Director within the time so specified, then advice to the Director by radio, telephone, facsimile or other electronic means that the taxpayer objects to an assessment will constitute an effective notice of objection if –
 - (a) the advice is received by the Director within the time so specified; and
 - (b) the taxpayer posts to the Director by the next available mail a written statement in the prescribed form setting out fully and in detail the grounds of the objection.
- (5) No notice of objection given after the time so specified will be of any force or effect unless the Director accepts the objection and gives notice to the objector accordingly.
- (6) On receipt of the notice of objection referred to in subsection (1) of this section, the Director may require any person to furnish such particulars as the Director may deem

necessary in accordance with section 57 (which relates to the power to inspect books and records).

- (7) The Director will not be required to consider any objection unless and until the objector, or any person under subsection (6), has complied with all requirements under this Act or the Business Licence Act [Cap. 249] for the furnishing of returns, the furnishing of information, and the payment of tax.
- (8) The Director will consider the objection and will either allow or disallow it wholly or in part and will notify the objector accordingly within 60 days of the date upon which the Director is required to consider the objection under subsection (7).
- (9) If an objection is not wholly allowed by the Director, the objector may, within two months after the date on which notice of disallowance is given to the objector by or on behalf of the Director, by notice in writing to the Director require that the objection be heard and determined by the Tribunal and in that event the objection will be heard and determined in the Tribunal.
- (10) If the Director, after considering the objection, has allowed the objection in part and has reduced the assessment, the reduced assessment will be the assessment to be dealt with by the Tribunal.

27. Tribunal may confirm, cancel or alter the assessment

On the determination of any such objection, the Tribunal may either confirm or cancel the assessment, or increase or reduce the amount thereof, and the assessment will be altered by the Director, if necessary, so as to conform to that determination.

28. Appeals to Supreme Court and Court of Appeal

The determination of the Tribunal on any such objection will be subject to appeal to the Supreme Court of the State, and the determination of the Supreme Court subject to appeal to the Court of Appeal of the State, in accordance with the normal practice of the Supreme Court and the Court of Appeal.

29. Obligation to pay tax not suspended by objection or appeal

The obligation to pay and the right to receive and recover any value added tax will not be suspended by any objection or appeal, but if the objector succeeds the amount (if any) of the tax received by the Director in excess of the amount which, according to the decision on the hearing of the objection or appeal, was properly payable will forthwith be refunded to the objector by the Director.

30. No assessment to be set aside for technical reasons

No assessment will be set aside by the Tribunal or a Court upon the ground that there has been an error or omission in connection with any proceedings required to be taken under this Act or any order there under, but such Tribunal or Court, in any case that may come before it, may determine the true and proper amount of the tax to be paid under this Act.

PART 7 – RECOVERY OF TAX

31. Additional taxes for non-compliance or evasion

There will be added to and become part of the tax imposed by this Act and collected as such—

- (a) in the case of any failure to pay any tax required to be paid under this Act by the due date for payment under this Act, there will be added to the tax –
 - (i) additional tax of 10% of the tax; and
 - (ii) a further 2% for each complete month during which the failure continues;

- (b) if any part of the underpayment of tax required to be shown on any return is due to fraud, there will be added to the tax an amount of 200% of the underpayment as determined by the Director.

32. Mode of recovery of unpaid tax

- (1) Tax payable by any person will be recoverable as a debt due to the State.
- (2) If the Director, after consultation with the Director-General of the Ministry of Finance and Economic Management, is satisfied that the unpaid tax is in fact irrecoverable, the Director may write off the unpaid tax.

33. Deduction of value added tax from payment due to defaulters

- (1) If any taxpayer has made default in the payment of any tax or additional tax payable by the taxpayer under this Act, or any part of any such tax, the Director may from time to time by notice in writing require any person to deduct from any amount payable or to become payable by that person to the taxpayer such sum as may be specified in the notice (whether in one sum or by way of two or more sums deducted or extracted by way of instalment), and to pay every sum so deducted to the Director to the credit of the taxpayer within such time as may be specified in the notice.
- (1A) If the Director serves notice upon a bank, the amount payable referred to in subsection (1) includes money and any interest on that money that:
- (a) on the day on which notice was given under subsection (1), is on deposit or is deposited with the bank to the credit of that registered person; or
- (b) on any day following the day referred to in paragraph (a) is on deposit or is deposited with the bank to the credit of the registered person, until the date on which notice is given under subsection (1) is revoked under subsection (3).
- (1B) Subsection (1A) applies whether or not:
- (a) the registered person has made any application to withdraw or uplift the money; or
- (b) the deposit or the depositing:
- (i) is on the current account; or
- (ii) bears an interest for a fixed term; or
- (iii) bears an interest without limitation of time.
- (2) This section will bind the State.
- (3) Any notice under this section may be at any time revoked by the Director by a subsequent notice to the person to whom the original notice was given (in this section referred to as "the debtor"), and will be so revoked at the request of the taxpayer at any time when the Director is satisfied that all value added tax then due and payable by the taxpayer has been paid.
- (4) A copy of every notice given under this section in respect of any taxpayer and of the revocation of any such notice will be given to the taxpayer by the Director.
- (5) Whenever pursuant to a notice under this section any deduction is made from any amount payable to any taxpayer, the taxpayer will be entitled to receive from the debtor a statement in writing of the fact of the deduction and of the purpose for which it was made.
- (6) The sum deducted from any amount pursuant to a notice under this section will be deemed to be held in trust for the State, and, without prejudice to any other remedies

against the debtor or any other person, will be recoverable in the same manner in all respects as if it were value added tax payable by the debtor.

- (7) Any person making any deduction, extraction, or payment pursuant to a notice under this section will be deemed to have been acting under the authority of the taxpayer to whom the notice relates and of all other persons concerned and is hereby indemnified in respect of such deduction, extraction, or payment.
- (8) Any person receiving a notice of deduction under subsection (1) who is unable to comply with the notice on account of the fact that the monies in question do not come into the person's possession within the period specified in such notice will notify the Director within fourteen days of the expiration of such period, acquainting the Director with the facts.

34. Procedure in Supreme Court where defendant absent from Vanuatu or not traced

In any action in the Supreme Court for the recovery of tax, if the defendant is absent from Vanuatu or cannot after reasonable inquiry be found, service of the summons may with the leave of a Judge be effected by posting a duplicate or sealed copy thereof in a letter addressed to the defendant at the defendant's present or last known place of abode or business, whether in Vanuatu or elsewhere.

35. Particulars of claim or demand

In an action in any Court for the recovery of tax it will be sufficient if the particulars of claim or demand state the amount sought to be recovered and the date on which the same became payable, and such further particulars (if any) as the Director thinks necessary in order to fully inform the defendant of the nature of the claim.

36. Costs against Director

In all proceedings in any Court for the recovery of tax, costs may be awarded to or against the Director in the same manner as in other cases, but all costs so awarded against the Director will be payable out of money appropriated by Parliament and not otherwise.

37. Proceedings not affected by vacancy or changed in office of Director

No action instituted by the Director for the recovery of tax, and no proceedings on objection to an assessment of tax, will abate by reason of any vacancy in the office of Director, or will be deemed defectively constituted by reason of any change in the holder of that office, and every such action or proceeding will be continued in the ordinary course as if the Director and the Director's successors in office were a corporation sole.

38. Distrain for unpaid tax

- (1) The Director may levy distress on goods (other than real property) and chattels and money of any registered person who refuses or fails to pay any tax payable by the registered person or any other amount recoverable from the registered person under this Act.
- (2) The Director may:
 - (a) apply money referred to in subsection (1) against the tax payable by the registered person and any other amount recoverable from the registered person under this Act; or
 - (b) provide for the disposal of any such goods or chattels by supply or otherwise to recover the amount of tax payable by the registered person and any other amount recoverable from the registered person under this Act including the costs and expenses of the disposal.

39. Priority of tax

Notwithstanding sections 32 to 37, if a person has not paid any amount of value added tax as required under this Act, the amount of tax unpaid will, in the application of the assets of the person, rank as follows:

- (a) If the person is an individual, upon the person's bankruptcy or upon the person making an assignment for the benefit of the person's creditors, the amount of the tax payable will rank, in order of priority, immediately after preferential claims for wages or other sums payable to any worker, and in priority to all other claims;
- (b) If the person is a company, upon the liquidation of the company or upon the appointment of a receiver on behalf of the holder of any debenture given by the company secured by a charge over any property of the company or upon possession being taken on behalf of that debenture holder of the property, the amount of the tax payable will rank immediately after preferential claims for wages or other sums payable to any worker, and in priority to all other claims;
- (c) If the person is a body of persons other than a company, upon the appointment of a receiver on behalf of any person under any order by a court, the amount of tax payable will rank, in order of priority, immediately after any preferential claims for wages or other sums payable to any worker, and in priority to any claims of holders of debentures under any floating charge (including a floating charge which has since creation become a fixed or specific charge) created by the body.

40. Statute of limitation

No statute of limitation will bar or affect any action or remedy for recovery of tax under this Act.

PART 8 – REFUNDS AND RELIEF

41. Refunds of excess credits

- (1) Subject to this section, if a refund is due to a registered person under section 19 (which relates to the calculation of tax payable or refund due), the Director will refund the amount to the registered person not later than 15 working days following the day on which the return of the registered person was received by the Director.
- (2) Notwithstanding subsection (1), if the Director is not satisfied with the return made by a registered person and decides that further investigation is required, the Director may withhold payment of the amount otherwise refundable until the later of the date the investigation is completed and the date the registered person has supplied all information requested.
- (3) Notwithstanding subsection (1), but subject to the following provisions of this section, if a registered person has, –
 - (a) in respect of a taxable period, failed to pay the Director in whole or in part any amount of tax payable by the due date for payment for the tax; or
 - (b) in respect of any obligation imposed under any other Act, failed to pay to the State any amount in whole or in part;

the Director may set off, against that unpaid tax, duty or levy, any amount otherwise refundable to the person under section 19, or any amount of interest payable under section 42, and will treat any amount so set off as a payment received from the registered person.

- (4) Notwithstanding subsection (1) but subject to the following subsections of this section, if a registered person has failed to furnish a return for a taxable period, the Director may withhold any amount otherwise refundable under section 19, or any

amount of interest payable under section 42, until the registered person has complied with the return filing requirements.

- (5) The Director will give notice in writing to the registered person of any action taken under subsections (2), (3) or (4) within the period of 15 working days following the day on which the return showing the refund due was received by the Director.
- (6) If the Director requires further information from a registered person in order to investigate a return in respect of a taxable period, the Director will give notice in writing to the registered person –
 - (a) in respect of an initial request for information in respect of the return, within the period of 15 working days following the day on which the return was received by the Director; and
 - (b) in relation to subsequent requests for information in respect of a return, within the period of 15 working days following the date of receipt of any information previously requested by the Director.
- (7) All money payable by the Director under this Part will be paid without further appropriation than this Act.

41A. Refund of excess credit to an agency of the State

The Director is to refund any amount due to be refunded to an agency of the State by transferring the amount to a consolidated account.

42. Interest on refunds of excess credits

- (1) In any case where the Director is required by section 41 to refund an amount to a registered person and the Director does not refund the amount within the period of 15 working days following the day upon which the return of the registered person was received by the Director, the Director will pay to the registered person interest on the amount withheld.
- (2) Interest payable under this section will be payable at the rate of 15% per annum from the day following the day on which the Director is required under section 41 to refund an amount to the registered person and will be calculated in accordance with the following formula:

$$\frac{a \times b \times c}{365}$$

where:

- a is the number of days for which interest is to be paid;
 - b is the amount of the refund required to be paid under subsection (1); and
 - c is the rate of interest specified in this subsection.
- (3) Notwithstanding anything in this section, no interest will be payable if the amount of interest that, but for this subsection, would be paid is less than VT 1,000.
 - (4) Notwithstanding anything in this section, interest will not be payable in respect of any period that ends ten working days after –
 - (a) any period during which the Director is not satisfied with the return made by the registered person and is undertaking further investigation; or
 - (b) any period in which the Director has requested further information from the registered person in respect of the return and has not received all the information requested; or
 - (c) any period after the Director has set off under section 41(3) the amount of refund due against tax payable by the registered person; or

- (d) any period in which the registered person has failed to furnish a return under this Act for a taxable period.
- (5) If the Director is satisfied that the amount of any interest paid to a person under this section is in excess of the proper amount, the Director may recover the amount of the excess in the same manner, with any necessary modifications, as if it were tax payable by the person.

43. Refund of tax overpaid

- (1) If a registered person has paid to the Director any amount in excess of the amount of the tax payable under section 19 (which relates to the calculation of tax payable or refund due) in respect of any taxable period, the Director will refund the amount paid in excess.
- (2) Subject to subsection (3) of this section, no refund will be made after the expiry of the period of 6 years immediately following the end of the taxable period, unless written application for the refund is made by or on behalf of the registered person before the expiration of that period.
- (3) If an assessment made under this Act reduces any amount of tax payable by a registered person or increases any amount refundable by the Director to a registered person, the Director will, notwithstanding that the time limited in accordance with subsection (2) for the making of a refund may have expired, refund the excess tax or deficient refund.
- (4) No refund will be made under subsection (3) after the expiry of the period of 6 years immediately following the end of the year in which the assessment was made, unless written application for the refund is made by or on behalf of the registered person before the expiry of the period.

44. Relief from tax

- (1) Notwithstanding anything in this Act, the Director may refrain from either issuing a notice of assessment or collecting or refunding tax in any case where, as the case may be –
- (a) the balance of any tax payable does not exceed VT 400; or
- (b) the tax paid exceeds the amount of the tax for which the taxpayer is liable by an amount not exceeding VT 400.
- (2) The Director may in the Director's discretion mitigate or remit in whole or in part any additional tax or interest or penalty which may be assessed under this Act.
- (3) No amount in excess of VT 150,000 will be remitted or refunded under this section except with the approval of the Director-General of the Ministry of Finance and Economic Management.

PART 9 – SPECIAL CASES

45. Groups of companies

- (1) For the purposes of this Act, two or more companies, each being a registered person, are eligible to be members of a group of companies in respect of any taxable period if not less than one half of the paid-up capital of each of those companies is held by shareholders in the other or if not less than one half in nominal value of the allotted shares in each of them is held by shareholders in the other.

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- (2) For the purposes of subsection (1), shares in one company held by another company will for this purpose be deemed to be held by the shareholders in the last mentioned company.
- (3) If 2 or more companies apply to be members of a group of companies for the purposes of this section and the Director is satisfied that they are eligible to be members of a group of companies under subsection (1) of this section, they will be members of a group of companies from the beginning of such taxable period as is determined by the Director.
- (4) In any application made under subsection (3), one such company will be nominated to be the representative member.
- (5) If any companies are members of a group of companies, the representative member may apply to the Director for –
- (a) the addition to that group of a further eligible company; or
 - (b) the exclusion from that group of one of the current members; or
 - (c) the substitution of another member of the group as the representative member; or
 - (d) that group of companies to no longer be a group of companies for the purposes of this section,
- and the Director will grant the application from the beginning of such taxable period as is determined by the Director.
- (6) If any member of a group of companies ceases to be eligible to be a member of the group and the Director becomes aware of that fact, the Director will, by notice in writing given to that member or the representative member, terminate that membership from such date as may be specified in the notice.
- (7) For the purposes of this Act, a notice under this Act addressed to the representative member will be deemed to be served on all members of the group.
- (8) If any companies form a group of companies for the purposes of this section –
- (a) any taxable activity carried on by a member of the group will be deemed to be carried on by the representative member and not to be carried on by any other member of the group; and
 - (b) subject to the following paragraphs of this subsection, any taxable supply by a member of the group to another member of the group may be disregarded; and
 - (c) any taxable supply by a member of the group to a person outside the group or from a person outside the group to a member of the group will be deemed to be a taxable supply by or to the representative member; and
 - (d) any supply of goods and services which is not a taxable supply made by a member of the group will be deemed to be made by the representative member; and
 - (e) any deductions under section 19(4) otherwise available to a member of the group will be deemed to be available only to the representative member; and
 - (ea) all members of the group must ensure that they have the same taxable period pursuant to section 15 and the same accounting period pursuant to section 17; and
 - (f) any obligation on a member of the group, other than the representative member, to file returns under section 16 will be disregarded.

- (9) Notwithstanding subsection (8) –
- (a) all members of the group will remain liable jointly and severally for any tax payable by the representative member; and
 - (b) the provisions of section 21 (which relate to tax invoice requirements), section 54 (which relates to the keeping of records) and Part 3 (which relates to registration) will continue to apply to all members of the group.
- (10) If the Director is satisfied in relation to 2 or more registered persons (not each being companies) that –
- (a) one of them controls each of the others; or
 - (b) one person controls all of them, or
 - (c) two or more persons carrying on a taxable activity in partnership control all of them,
- the Director may deem those registered persons to be members of a group and the preceding subsections of this section (other than subsections (1) and (2)) will apply as if every reference in the said subsections to –
- (d) a group of companies were a reference to that group; and
 - (e) companies were a reference to the members of the group.

46. Unincorporated bodies

- (1) For the purposes of this section –
- "body" means an unincorporated body of persons and includes a partnership, a joint venture and the trustees of a trust;
- "member" means a partner, joint venturer, trustee, or other member of any body.
- (2) If an unincorporated body that carries on any taxable activity is registered under this Act –
- (a) the members of the body will not themselves be liable to be registered under this Act in relation to the carrying on of the taxable activity; and
 - (b) any supply of goods and services made in the course of carrying on the taxable activity will be treated for the purposes of this Act as being supplied by the body and not supplied by any member of a body; and
 - (c) any supply of goods and services to, or acquisition of goods by, a member of the body acting in the capacity as a member of the body and in the course of carrying on the taxable activity will be treated for the purposes of this Act as being supplied to or acquired by the body and will be treated as not being supplied to or acquired by the member; and
 - (d) the registration will be in the name of the body, or where the body is the trustee of a trust, in the name of the trust; and
 - (e) subject to subsection (3), any change of members of the body will have no effect for the purposes of this Act.
- (3) Notwithstanding anything in this section, every member is jointly and severally liable with any other members for tax payable by the body while that member remains a member of a body.
- (4) If a body is a partnership, joint venture, or the trustees of a trust, a member will not cease to be a member of the body for the purposes of this section until the date on which any change of membership of the body is notified in writing to the Director.

- (5) For the purposes of this Act, a notice served in accordance with this Act which is addressed to a body by the name which it is registered under this Act will be treated as being served on the body and on all members of the body.
- (6) Subject to subsection (7), if anything is required to be done under this Act by or on behalf of a body, it will be the joint and several liability of all the members to do any such thing but if any such thing is done by one member it will be sufficient compliance with this requirement.
- (7) Notwithstanding anything in this section but subject to subsection (3), if anything is required to be done under this Act by or on behalf of a body (other than a partnership, joint venture or trustees of a trust) the affairs of which are managed by its members or a committee of its members, it will be the joint and several responsibility of –
- (a) every member holding office as president, chair, treasurer, secretary or any similar office; or
 - (b) in default of any such member, every member holding office as a member of a committee,

but if any such thing is done by any official or committee member it will be sufficient compliance with any such requirement.

47. Agents and auctioneers

- (1) Subject to this section, for the purposes of this Act, if an agent makes a supply of goods and services for and on behalf of any other person who is the principal of that agent, a supply will be treated as being made by the principal and not by the agent.
- (2) Notwithstanding subsection (1), if the supply is a taxable supply, an agent of a registered person may, notwithstanding anything in this Act, issue a tax invoice or a credit note or a debit note in relation to the supply as if the agent had made the taxable supply and, to the extent that that tax invoice or credit note or debit note relates to the supply, the principal will not also issue the tax invoice or credit note or debit note (as the case may be).
- (3) Subject to this section, for the purposes of this Act, if a registered person makes a taxable supply of goods and services to an agent who is acting on behalf of another person who is the principal for the purpose of the supply, the supply will be treated as being made to the principal and not to the agent.
- (4) Notwithstanding subsection (3), the agent may nevertheless request to be issued with a tax invoice and the registered person making the supply may issue a tax invoice or a credit note or a debit note as if the supply were made to the agent.
- (5) If a tax invoice or a credit note or a debit note in relation to a supply has been issued under this section by an agent or to an agent, the agent will maintain sufficient records to enable the name and address and registration number (if any) of the principal to be ascertained.
- (6) Notwithstanding anything in subsection (3) of this section, if a registered person makes a taxable supply (not being a supply which is charged with tax at the rate of 0%) of goods or services to an agent, being a registered person, who is acting for and on behalf of another person who is a principal for the purpose of the supply and –
- (a) the principal is not resident in Vanuatu and is not a registered person; and
 - (b) the supply is directly in connection with the exportation of goods from Vanuatu or the importation of goods into Vanuatu,

this Act will, if the agent and the principal agree, have effect as if the supply were made to the agent and not to the principal.

48. Personal representatives, liquidators, receivers, etc.

(1) In this section –

"agency period" means the period beginning on the date on which a person becomes entitled to act as a specified agent carrying on a taxable activity in relation to an incapacitated person and ending on the earlier of –

- (a) the date on which some person other than the incapacitated person or the specified agent is registered in respect of the taxable activity; or
- (b) the date on which the person ceases to be a specified agent in relation to the incapacitated person:

"incapacitated person" means a registered person who dies, or goes into liquidation or receivership, or becomes bankrupt or is otherwise incapacitated:

"specified agent" means a person carrying on any taxable activity in a capacity as personal representative, liquidator, or receiver of an incapacitated person, or otherwise as agent for or on behalf of or in the stead of an incapacitated person.

- (2) For the purposes of this Act and notwithstanding section 47, if any person becomes a specified agent that person will, during the agency period, be deemed to be a registered person carrying on the taxable activity of the incapacitated person, and the incapacitated person will during that period be deemed not to be carrying on that taxable activity.
- (3) If a mortgagee is in possession of any land or other property previously mortgaged by the mortgagor, being a registered person, the Director may, from the date on which the mortgagee took possession of that land or other property, until such time as the mortgagee ceases to be in possession of that land or other property, deem the mortgagee, in any case if and to the extent that the mortgagee carries on any taxable activity of the mortgagor, to be a registered person.
- (4) Any person who becomes a specified agent, or who as a mortgagee in possession carries on any taxable activity of the mortgagor, will, within 21 days of becoming a specified agent or commencing that taxable activity of the mortgagor, inform the Director in writing of that fact and of the date of the death or of the liquidation or receivership or bankruptcy or mortgagee taking possession of any land or other property previously mortgaged by the mortgagor, or of the nature of the incapacity and the date on which it began.

49. Agents in the case of absentees

If any person acts or assumes to act as the agent of any other person who is outside Vanuatu or does not have a place of business in Vanuatu, the agent will be liable to the same value added tax and all obligations imposed by this Act as if the agent were the principal for whom the agent so acts or assumes to act.

50. Goods and services acquired before incorporation

(1) If –

- (a) an amount of tax has been charged under this Act in relation to the acquisition of goods and services for and on behalf of a company or in connection with the incorporation of a company; and
- (b) the company becomes a registered person on incorporation; and
- (c) the goods and services were acquired prior to incorporation by a person who–
 - (i) became a member, officer, or employee of the company and was reimbursed by the company for the whole amount of the consideration paid for the goods and services; and

- (ii) acquired those goods and services for the purposes of a taxable activity to be carried on by the company and has not used those goods and services for any purpose other than such taxable activity,

the company will be deemed to be the recipient of the goods and services as if the supply or importation in question had been made during the taxable period in which the reimbursement referred to in this section is made.

- (2) This section will not apply in relation to any goods and services where –
 - (a) the supply of the goods and services by the person to the company is itself a taxable supply or is a supply of second-hand goods not being a taxable supply; or
 - (b) the goods and services were acquired more than 6 months prior to the date of incorporation of the company; or
 - (c) the company does not hold sufficient records to establish the particulars relating to the deduction to be made under section 19(4) as a result of the application of this section.

PART 10 – OFFENCES AND PENALTIES

51. Offences

- (1) Every person commits an offence against this Act who –
 - (a) fails to apply for registration as required under this Act; or
 - (b) refuses or fails to furnish any return or information as and when required by this Act, or any regulations made under this Act or by the Director; or
 - (c) makes any false return, false statement or false declaration or gives any false information, knowing it to be false or being reckless as to whether it was false, or intentionally misleads or attempts to mislead the Director in relation to any matter under this Act; or
 - (d) knowingly falsifies any records required to be kept under this Act; or
 - (e) knowingly issues any incorrect tax invoice; or
 - (f) knowingly misrepresents that an amount is payable as tax under this Act in respect of a supply; or
 - (g) receives or deals with goods or services, if the person knows or has reason to believe that the tax payable on the supply of the goods or services has been or will be evaded; or
 - (h) obstructs any officer of the Department acting in discharge of that officer's duties or the exercise of that officer's power under this Act; or
 - (i) fails to keep or properly maintain records of a taxable activity carried on by the person as required under this Act; or
 - (j) knowingly breaches the provisions of this Act prohibiting the issue of multiple tax invoices, credit notes or debit notes; or
 - (k) fails to provide another registered person with a tax invoice as required under this Act; or
 - (l) fails to make any deduction required by a notice under section 33 to be made from any amount payable by the person to a taxpayer or fails after making any such deduction to pay the sum deducted to the Director within the time specified by the notice; or

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- (m) fails to display prices inclusive of value added tax, as required by section 60 of this Act; or
- (n) aids, abets, incites, or conspires with any other person to commit any offence against this Act or against any regulations made under this Act; or
- (o) fails to provide the Director with information relating to supplies made by any person who has not provided a tax invoice in respect of those supplies, as required by section 12(8); or
- (p) asks for or takes, whether directly or indirectly, any payment or reward whether in money or otherwise that is not a payment or reward he or she is lawfully entitled to receive as an employee of the Department or as a person appointed by the Director to assist the Department; or
- (q) proposes to enter or enters into an agreement to permit or conceal any act to defraud or to attempt to defraud the Government or to do an act which is otherwise unlawful under this Act or any other law; or
- (r) commits any of the following acts:
- (i) offers or gives, whether directly or indirectly to the Director or an officer of the Department or person appointed by the Director to assist the Department, any payment or reward whether in money or otherwise;
 - (ii) proposes to enter or enters into any agreement with the Director, officer or person so appointed by the Director;
to induce him or her to do, abstain from doing, to permit or conceal any act intended to defraud the Government or otherwise unlawful under this Act or any other law.
- (2) Every person who commits an offence under paragraphs (i), (k), (1) or (m) of subsection (1) will be liable to fine not exceeding VT 40,000 for the first such conviction, to a fine not exceeding VT 75,000 for the second such conviction and to a fine not exceeding VT 300,000 for each subsequent such conviction.
- (3) Every person who commits an offence under paragraph (b) of subsection (1) will be liable to a fine not exceeding VT 40,000 for each month of the default for the first time upon which the person is convicted of such an offence and for a fine not exceeding VT 75,000 for each month of default for the second and subsequent occasions on which the person is convicted of such an offence.
- (4) Every person who commits an offence against this Act for which no other penalty is prescribed will:
- (a) on the first such conviction, be liable for a fine not exceeding VT 700,000 or to imprisonment of three months in respect of any such offence or each of those offences, or to both such fine and imprisonment;
 - (b) for each subsequent such conviction, be liable for a fine not exceeding VT 1,500,000 or to imprisonment for a period not exceeding one year in respect of any such offence or each of those offences, or to both such fine and imprisonment.
- (5) Every person who commits an offence under paragraph (n) of subsection (1) will be liable to a fine not exceeding the maximum fine applicable to the resultant offence committed by the person aided, abetted, incited, or conspired with.
- (6) The Director shall, from time to time, publish in the Gazette a list of persons who have been convicted under subsection (4) or persons who have been charged additional tax under section 31 (b).

- (7) A person who contravenes paragraph (o), (p), (q) or (r) is guilty of an offence punishable on conviction by a fine not exceeding VT 10 million or a term of imprisonment of not more than 10 years, or both.

51A. Penalty notices

- (1) Notwithstanding section 53, the Director of the Department may serve a penalty notice on a person if it appears to the Director that the person has committed an offence under:
- (a) section 51; or
 - (b) section 52.
- (2) A penalty notice is a notice to the effect that, if the person served does not wish to have the matter determined by a Court, the person must, within 30 days after receiving the notice, pay to the Department of Customs and Inland Revenue, the amount of the penalty prescribed by the regulations if dealt with under this section.
- (3) The amount prescribed by the regulations must not exceed the maximum penalty specified for the offence.
- (4) If the amount specified in the penalty notice is paid under this section, no person is liable to any further proceedings for the alleged offence.
- (5) Payment under this section is not to be regarded as an admission of liability for the purpose of, and does not in any way affect or prejudice, any civil proceeding arising out of the same occurrence.

52. Officers and employees of corporate bodies

Directors, secretaries, statutory officers, receivers, managers of any property of or liquidators of a corporate body commit an offence against this Act if, being responsible for furnishing to the Director any information or statement or return under this Act, they fail to furnish that information or statement or return to the Director within the time required under this Act.

53. Proceedings

- (1) Proceedings for offences under this Act will be taken by way of prosecution in the Supreme Court upon the information of the Director.
- (2) Any information may charge the defendant with any number of offences against the Act if those offences are founded on the same set of facts or are of the same or similar character.
- (3) Where any information charges more than one such offence, particulars of each offence charged will be set out separately in the information.
- (4) All such charges will be heard together unless the Court, either before or at any time during the hearing, considers it just that any charge should be heard separately and makes an order to that effect.
- (5) Notwithstanding anything in any other Act, any information in respect of any offence against this Act or against any regulations made under this Act may be laid at any time within 10 years after the end of the taxable period in which the offence was committed.

PART 11 – GENERAL PROVISIONS

54. Keeping of records

- (1) Subject to this section, every registered person who supplies in Vanuatu goods and services will keep in Vanuatu sufficient records in English, French or Bislama to

enable ready ascertainment by the Director of the registered person's liability to tax and will retain in Vanuatu all such records for a period of at least 6 years after the end of the taxable period to which they relate.

- (1A) Every registered person whose total value of taxable supplies has, in a period of 12 months, exceeded the amount specified in paragraph 12(1)(a) is required to:
- (a) record any money received in respect of taxable supplies made by the registered person by way of an entry on cash register tape; and
 - (b) ensure that the cash register tape, records the date and the sum of the total money received for each day of the registered person's taxable period;
- except where the Director specifies otherwise.
- (2) The Director may on application in writing authorise a registered person to keep the records outside Vanuatu.
- (3) This section will not require the retention of the records of a company once it has been liquidated.
- (4) The Director may, by notice in writing given before the expiry of the 6 year retention period specified in subsection (1), require a registered person to retain the records specified for a further period not exceeding 3 years if –
- (a) the affairs of the registered person are under investigation by the Director; or
 - (b) the Director intends to conduct such an investigation or is actively considering such an investigation.

55. Agreement to defeat the intention and application of Act to be void

(1) Notwithstanding anything in this Act, where the Director is satisfied that an arrangement has been entered into to defeat the intent and application of this Act or of any provision of this Act, the Director will treat the arrangement as void for the purposes of this Act and will adjust the amount of tax payable by any registered person (or refundable to that person by the Director) who is affected by the arrangement, whether or not the registered person is a party to the arrangement, in such manner as the Director considers appropriate so as to counteract any tax advantage obtained by the registered person from or under the arrangement.

(2) For the purposes of this section –

"arrangement" means any contract, agreement, plan or understanding including all steps and transactions by which it is carried into effect;

"tax advantage" includes –

- (a) any reduction in the liability of a registered person to pay tax;
- (b) any increase in the entitlement of a registered person to a refund of tax;
- (c) any reduction in the total consideration payable by a person in respect of any supply of goods and services.

56. Liability for tax payable by company left with insufficient assets

(1) This section will apply if –

- (a) an arrangement (as defined in section 55(2)) has been entered into in relation to a company; and
- (b) an effect of the arrangement is that the company is unable to satisfy a liability to tax under this Act, whether the liability exists at the time of entry into the arrangement or subsequently; and

- (c) it can reasonably be concluded that –
- (i) a director of the company at the time of entry into the arrangement who had made all reasonable enquiries would have anticipated that the tax liability would be, or would likely to be, required to be satisfied by the company; and
 - (ii) a purpose of the arrangement was to have the effect referred to in paragraph (b) of this subsection.
- (2) This section will not apply to an arrangement to which the Director is a party.
- (3) If an arrangement to which this section applies has been entered into, all persons who were directors of the company at the time the arrangement was entered into will, subject to this section, be jointly and severally liable for the tax liability as agent of the company.
- (4) If an arrangement to which this section applies has been entered into, a person who –
- (a) together with an associated person, controlled the company at the time the arrangement was entered into; or
 - (b) had an ownership interest (direct or indirect) in the company at the time the arrangement was entered into and who, it could reasonably be concluded, having regard to the materiality of a benefit derived by the person from the arrangement, was a party to the arrangement,
- will be liable as agent for the company for the tax liability to the extent that the tax liability is no greater than the market value of the person's direct or indirect interest in the company at the time of entry into the arrangement and the value of any benefit derived by the person from the arrangement (whichever is larger).
- (5) A director will not be liable under this section for a tax liability of a company if the Director is satisfied that the director derived no benefit from the arrangement and either notified the Director of the arrangement and the application of this section to the arrangement in writing at the first reasonable opportunity after the director became aware of the arrangement or had no knowledge of the arrangement.
- (6) Subject to section 58 (which relates to limitation periods), but notwithstanding any other provision of this Act, the Director may at anytime after the liquidation of a company make or amend any assessment of the company under this Act as if the company had not been liquidated, in order to give effect to this section.
- (7) If the Director makes an assessment after liquidation of a company, the Director will nominate one or more persons who the Director considers to be liable under this section in respect of the tax liability specified in the assessment and each such person will be treated for the purposes of this Act as the agent of the company.

57. Director to have power to inspect records

- (1) Notwithstanding anything in any other Act, the Director will at all times have full and free access to all records, whether in the custody or under the control of a public officer or a body corporate or any other person, for the purpose of inspecting any records which the Director considers necessary or relevant for the purpose of collecting any tax or duty which the Director is authorized to collect, or considers likely to provide any information otherwise required for any such purpose, and may, without fee or reward, make extracts from or copies of any such records, and may remove and retain any such records for this purpose.
- (2) The Director may for the purpose of any investigation under this section require any person to give all reasonable assistance in the investigation, and to answer all proper questions relating to any such investigation either orally, or, if the Director so

requires, in writing, or by statutory declaration, and for that purpose may require the person to attend at such premises as nominated by the Director.

58. Limitation period

Any amount of value added tax imposed by this Act will be assessed within 6 years after the return in respect of the taxable period was filed or within three years of the due date prescribed for the filing of the said return, whichever is later, and no proceeding in Court without assessment for the collection of any such taxes will be begun after the expiration of such period, provided that:

- (a) In the case of a false or fraudulent return with intent to evade tax, or of a failure to file the return, the tax may be assessed or levied at any time. However, in the case of a return claimed to be false or fraudulent with intent to evade tax, the determination as to the claim must first be made by a Judge of the Supreme Court;
- (b) Where, before the expiration of the period prescribed in this section, both the Director and the taxpayer have consented in writing to the assessment of the tax after the expiration of the period, the tax may be assessed at any time prior to the expiration of the period agreed upon. The period so agreed upon may be extended by subsequent agreement in writing made before the expiration of the period previously agreed upon.

59. Regulations

- (1) The Minister may from time to time make all such regulations as, in the Minister's opinion, may be deemed necessary or expedient for giving effect to the provisions of this Act and for the due administration thereof.
- (2) Without limiting the general power to make regulations conferred by subsection (1), it is hereby declared that regulations may be made under this section prescribing forms and rules or procedure for the ascertainment, assessment and collection of taxes imposed under this Act.
- (3) All regulations made under this section will be laid before the Parliament of the State within 28 days after the making thereof, if the Parliament is then in session, and if not, will be laid before the Parliament within 28 days after the commencement of the next ensuing session.

60. Display of prices of goods or services for sale

- (1) Subject to subsections (2) and (3), any registered person displaying the prices of goods or services for sale must display the prices inclusive of value added tax (if any), but the person may also display the value added tax content of the prices.
- (2) Where any tourism publicity material is or will be utilised predominantly overseas to advertise the supply of any goods and services by any registered person, the price of those goods and services advertised may be displayed as exclusive of tax (if any) on that supply, provided that any tourism publicity material on which an exclusive of tax price is displayed must clearly state that the price displayed is subject to the tax.
- (3) The Director may, upon application by a registered person, allow the application of subsection (1) by the person to be deferred until 1 February 1999.

PART 12 – VALUE ADDED TAX TRIBUNAL

61. Establishment of Value Added Tax Tribunal

- (1) A Tribunal called the Value Added Tax Tribunal is established.

- (2) Each member of the Tribunal and its chairperson (if any) will be appointed by the Judicial Service Commission established under Article 48 of the Constitution provided that there shall not be more than seven members of the Tribunal at any time.
- (3) The Tribunal will hear and determine objections made under section 26.
- (4) Each member of the Tribunal will be a person with legal or accounting knowledge and experience appropriate for the purpose of hearing and determining objections.
- (5) Subject to this Part and Part 6, the Tribunal will have powers and authority similar to those vested in a judge of the Supreme Court as if the hearing of the objection were the hearing of an action between the objector and the Director.

62. Registrar of Tribunal

- (1) The Tribunal will have a Registrar who will be primarily responsible for arranging sittings of the Tribunal and undertaking other administrative duties necessary for the efficient and effective work of the Tribunal.
- (2) The Registrar will be appointed by the Director in consultation with the Chief Justice.

63. Rules of Tribunal

- (1) The Chief Justice will have the power to make rules for the Tribunal for regulating –
 - (a) any matters relating to the practice and procedure of the Tribunal; and
 - (b) the fees to be charged and the costs of proceedings at the Tribunal.
- (2) Rules made under this section will constitute part of this section.

64. Tribunal sittings

- (1) The Tribunal will fix the date and place of hearing of objections and will notify the parties accordingly.
- (2) Notwithstanding subsection (1) the hearing of an objection by the Tribunal will not commence until one month after the date of notification.
- (3) One or more members of the Tribunal may sit at a hearing at the discretion of the Chairperson.

65. Proceedings at sittings

- (1) All proceedings of the Tribunal will be held in camera if requested by the objector.
- (2) If the objector fails to appear either in person or by agent, the Tribunal may proceed *ex parte* or may defer the hearing.
- (3) The Tribunal may receive such evidence as it thinks fit, whether receivable in accordance with law or in other proceedings or not.

66. Burden of proof on objector

On the hearing and determination of all objections to assessments of value added tax, the burden of proof will be on the objector.

67. Costs

On the determination of any objection, the Tribunal may award against the Director or against the objector such costs as it deems just (including interest on tax payable or received).

68. Case stated

- (1) The parties to the objection hearing will be the objector, and the Director as respondent.

- (2) For the purpose of every objection hearing –
 - (a) the Director will state and sign a case setting forth the facts as alleged by the Director, the nature of the assessment made by the Director, the ground of objection thereto, and the question for the determination of the Tribunal;
 - (b) the case, so stated and signed, will be filed by the Director in the Tribunal, and the filing of the case will be deemed to be the institution of the objection hearing;
 - (c) a copy of the case so filed will be sent by the Director to the objector.
- (3) Within 14 days after the filing of the case by the Director or within such further time as the Director may allow, the objector may file an answer to the case, in which circumstance the answer will set forth the facts as alleged by the objector and the grounds of the objection.
- (4) The case as stated and filed by the Director will not be conclusive as to the matters set forth therein, either against the objector or the Director, except so far as agreed to in writing by or on behalf of the Director and the objector.
- (5) After the filing of the case by the Director, the Registrar of the Tribunal will, on the application of the Director or of the objector, appoint a time and place for the hearing of the objection.
- (6) Reasonable notice of the time and place of the hearing of the objection will be given by the applicant under subsection (5) to the other party.

PART 13 – TRANSITIONAL PROVISIONS AND REPEALS

69. Effect on supply price of 1998 introduction of tax

- (1) If –
 - (a) a supply of goods or services has become subject to value added tax as a result of this Act; and
 - (b) the parties to the supply have not expressly agreed that this subsection will not apply; and
 - (c) the agreement between the parties for the making of the supply is entered into before 31 July 1998,the registered person making the supply may increase the agreed price for the supply, and may recover the increase from the acquirer of the goods or services, by the amount of tax payable in respect of the supply, to the extent to which that tax exceeds the aggregate of the following sums:
 - (d) the business licence fee related to the turnover (if any) which would have been payable in respect of the supply but for the repeal of the Business Licence Act [Cap. 173] made by the Business Licence Act [Cap. 249];
 - (e) the hotel and licensed premises tax (if any) that would have been payable in respect of the supply but for the repeal of the Hotel and Licensed Premises Act [Cap. 141] under this Act;
 - (f) the video cassette tax on hiring (if any) that would have been payable in respect of the supply but for the repeal of the Video Cassette (Tax on Hiring) Act [Cap. 180] under this Act;
 - (g) The customs duty that would have been payable by the registered person in respect of the supply but for amendments to the Import Duties (Consolidation)

Act [Cap. 91] that apply in respect of goods imported and cleared through customs on or after 1 July 1998; and

- (h) tax that would have been payable by the registered person under the Rent Taxation Act [Cap. 196] but for amendments to that Act that apply in respect of rent payable after 1 August 1998.

(2) If –

- (a) a fee, charge or other amount is payable under an Act or regulation; and
- (b) the supply to which the fee, charge or other amount relates becomes subject to value added tax as a result of this Act; and
- (c) it is not expressly provided that the fee, charge or other amount is inclusive of value added tax; and
- (d) the fee, charge or other amount was determined before 1 August 1998,

the fee, charge or other amount will be treated as if increased by the amount of the tax payable in respect of the supply, to the extent to which that tax exceeds the aggregate of the sums referred to in paragraphs (d) to (h) of subsection (1) with those paragraphs applied as if the supply referred to in subsection (1) were the supply covered by this subsection.

70. Deductions for customs duty

(1) For the purposes of this section –

"capital asset" means any goods forming part of the capital assets of a taxable activity:

"trading stock" does not include:

- (a) any capital asset; or
- (b) any goods held on hire or for hire; or
- (c) any second-hand goods, unless goods in respect of which that registered person has paid customs duty and which have been supplied and subsequently reacquired by that person; or
- (d) beer, cigarettes, manufactured tobacco or spirits; or
- (e) any goods being consumables and spare parts of the taxable activity; or
- (f) any goods entered free of duty under the Import Duties (Consolidation) Act [Cap. 91].

(2) Notwithstanding anything in section 19(4), in calculating the amount of tax payable by a registered person, the person may deduct an amount equal to the customs duty credit calculated in accordance with subsections (3) to (7):

- (a) in two equal instalments, each of one half of the customs duty credit, over two taxable periods the latter of which ends on 31 December 1998, if the taxpayer is in Category B under section 15(1); or
- (b) in twelve equal instalments, each of one twelfth of the customs duty credit, over twelve taxable periods the last of which ends on 31 July 1999 if the taxpayer is in Category A under section 15(1) and holds, on 1 August 1998, a bonded warehouse licence for the operation of a duty free shop under the Customs Act [Cap. 3*]; or

* Editor's note: Cap. 3 has been superseded by the Customs Act, Cap. 257.

- (c) in five equal instalments, each of one fifth of the customs duty credit, over five taxable periods the last of which ends on 31 December 1998, otherwise.
- (3) An amount of customs duty creditable to be deducted under this section arises only in respect of goods –
 - (a) held by the registered person at the close of 30 June 1998; and
 - (b) which are trading stock of a taxable activity carried on by the registered person; and
 - (c) in respect of which the Director is satisfied that customs duty was paid on their importation or entry for home consumption.
- (4) The amount of customs duty credit may, at the election of the person but subject to subsection (5), be calculated under any one of the following paragraphs:
 - (a) an amount (not less than zero) calculated by deducting from the customs duty paid by the registered person in respect of the goods the amount of customs duty that would have been correctly payable by the person if those goods had been imported or entered for home consumption on or after 1 July 1998;
 - (b) an amount equal to 5 percent of the cost of the goods; or
 - (c) for taxpayers entitled to be placed in Category B under section 15, an amount equal to 5 percent of the total proceeds of sales of trading stock by the person in the three months ending on 30 June 1998.
- (5) The Minister may, by order, require that the customs duty credit in respect of certain items of trading stock be calculated in accordance with subsection (4)(a).
- (6) A registered person entitled to a deduction against value added tax under this section will disclose to the Director with the person's return for each taxable period in which a claim for a deduction is made –
 - (a) the total amount of the deduction to which the person is entitled;
 - (b) the total amount, if any, claimed as a deduction in previous returns; and
 - (c) the amount claimed as a deduction in the current return.
- (7) A registered person will not be entitled to a deduction under this section unless the claim for the deduction is supported by adequate stock, purchase and sales records kept by the person, including stock sheets, information on the cost of goods purchased, records of sales and purchases and of customs duty payments.

71. Regard to customs duty credit and duty reductions in prices

- (1) For the purposes of this section, "customs duty credit" means any amount that a registered person is or, but for this section, would be allowed to deduct under section 70.
- (2) In determining the price of a supply of goods or services, a registered person will have regard to the amount of customs duty credit the registered person is entitled to deduct under section 70 in respect of the supply and the amount, if any, by which customs duty payable on goods in respect of that supply is lower than the customs duty that would have been payable if those goods had been imported and cleared through Customs before 1 July 1998.
- (3) If a registered person does not have adequate regard to the amount of customs duty credit and reduction in customs duty in respect of a supply under subsection (1), the Director may, notwithstanding section 70:
 - (a) deny a deduction for any customs duty credit in respect of the goods supplied; and

- (b) impose additional tax of up to 5% of the taxable supply in respect of the taxable period in which the supply is made, which tax will be payable in all respects as if were additional tax imposed under section 31.
- (4) This section will apply in respect of taxable supplies made in any taxable period that tends on or before 30 November 1998.

72. Registration of persons liable to be registered on 1 August 1998

Notwithstanding anything in section 12 (which relates to registration of persons making taxable supplies), every person who, on or before 30 June 1998, knows, or could with reasonable diligence have known, that he or she will be liable to be registered from 1 August 1998 under section 12, will apply in the prescribed form for registration before 30 June 1998, and the Director will register that person under section 12.

73. Supplies prior to 1 August 1998

- (1) For the purposes of this section, the expression "time of performance" means –
 - (a) in relation to a supply of goods, –
 - (i) if the goods are to be removed and the property in those goods will pass from the supplier to the recipient, the earlier of the time of the removal and the time that that property passes;
 - (ii) if the goods are to be removed but property in the goods will not pass from the supplier to the recipient, the time of the removal;
 - (iii) if the goods are not to be removed, the time they are made available to the recipient;
 - (iv) if the goods (being sent or taken on approval, sale or return or similar terms) are removed before it is known whether a supply will take place, the time when it becomes certain that the supply has taken place; and
 - (b) in relation to a supply of services, the time when the services are performed.
- (2) If a registered person supplies services under an agreement or enactment and the agreement or enactment expressly or impliedly provides that, for and in respect of any period –
 - (a) a right is to be granted or exercisable or anything is to be done or omitted to be done; or
 - (b) a payment is due, or may be made; or
 - (c) the agreement is enforceable or will have effect,those services will for the purposes of subsection (1)(b) be treated as if performed by the registered person continuously and uniformly during the whole of that period.
- (3) If services are supplied under an agreement or enactment which provides that any right is to be granted or exercisable by an individual for a period which will end with the termination of the life of the individual and there is a single non-refundable payment as consideration, the services will, for the purposes of subsection (1)(b), be deemed to have been performed at the earlier of the time the right is granted by the supplier or at the time that it first becomes exercisable.
- (4) Notwithstanding anything in this Act, for the purposes of subsection (1), goods supplied under an agreement to hire will be deemed to be a supply of services.
- (5) Notwithstanding anything in section 5, if and to the extent that the time of performance of any supply of goods and services –

- (a) is before 1 August 1998 and that supply would, but for this section, be deemed by section 5 of this Act to take place on or after 1 August 1998, and the value of the supply is ascertainable, the time of performance will, for the purposes of this Act, be treated as being the time when the supply of the goods and services takes place;
 - (b) is on or after 1 August 1998, and that supply would, but for this section, be deemed by section 5 of this Act to take place before 1 August 1998 –
 - (i) the time of performance will, for the purposes of the imposition of value added tax under section 10 of this Act, be treated as being the time when the supply of the goods and services takes place; and
 - (ii) for the purposes of section 5 of this Act, the time when the supply of those goods and services is made will be treated as being 1 August 1998 and
 - (iii) for the purposes of section 19(3)(a)(ii) and 19(4)(a)(ii) (which relate to the payments basis for tax accounting), a payment made or received in respect of the supply before 1 August 1998 is deemed to be made or (as the case may be) received on 1 August 1998.
- (6) Subsection (5) does not apply if and to the extent that –
- (a) a supply of goods is the construction or alteration of a building or civil engineering work; and
 - (b) the goods are sold under a written contract entered into before 1 August 1998; and
 - (c) the goods are made available to the recipient after 1 August 1998, meaning that but for this subsection, the whole supply would be deemed to be subject to value added tax under subsection (5),
- and instead the value of all work and materials permanently incorporated into the building or work under the contract must be determined as at the close of 31 July 1998 and subsections (8) and (9) will apply.
- (7) The valuation required under subsection (6) must be undertaken by a competent independent valuer in a manner acceptable to the Director unless –
- (a) the Director approves otherwise; or
 - (b) the supply of the building or work is to a registered person exclusively for the purposes of the registered person making taxable supplies.
- (8) If the value calculated under subsection (6) exceeds the total of the consideration in money invoiced by, received by or due to the supplier in respect of the building or work before 1 August 1998, the consideration in money for the first supply in respect of the building or work which is deemed to occur on or after 1 August 1998 under section 5(6) is reduced by the excess and, if the excess is greater than that consideration in money, the surplus will be carried forward to reduce the consideration in money for the next subsequent such supply, and so on.
- (9) If the value calculated under subsection (6) is less than the total of the consideration in money invoiced by, received by or due to the supplier before 1 August 1998, the difference is deemed to be consideration in money for a taxable supply made by the supplier on 1 August 1998 and charged with value added tax under section 10(2)(a).

74. Repeals of and consequential amendments to other Acts

- (1) The enactments specified in Schedule 4 are hereby repealed and amended as stated in that Schedule.

- (2) Without limiting the application of the Interpretation Act [Cap. 132], the repeal of any provision by this Act will not (except as otherwise provided in this Act) affect any document made or anything whatsoever done under the provision so repealed or under any corresponding former provision and every such document or thing, so far as it is subsisting or in force at the time of the repeal and could have been made or done under this Act, will continue and have effect as if it had been made or done under the corresponding provision of this Act and as if that provision had been in force when the document was made or the thing was done.
- (3) For all purposes relating to assessment or recovery of any tax, fee or duty payable under a provision repealed by this Act in respect of a supply or importation before 1 August 1998, the provisions repealed by this Act are deemed to remain in force.

SCHEDULE 1

(Section 10(3)(a))

Exempt supplies

1. Financial services, being any one or more of the following services:
 - (a) Exchanging currency;
 - (b) Issuing, paying, collecting or transferring ownership of a cheque or letter of credit;
 - (c) Issuing, allotting, transferring ownership of, renewing or varying a debt instrument, a share in the capital of a company, an interest in a unit trust or similar contributory scheme, or any interest in such property;
 - (d) Underwriting the issue of a debt instrument, share in the capital of a company or interest in a unit trust or similar contributory scheme;
 - (e) Providing credit or varying a contract for the provision of credit;
 - (f) Providing, taking, varying or releasing a guarantee, indemnity, security or bond in respect of the performance of obligations under a cheque, letter of credit, debt instrument, share in the capital of a company, interest in a unit trust or similar contributory scheme, or contract for the provision of credit;
 - (g) Providing, or transferring ownership of, a life insurance contract or a life reinsurance contract;
 - (h) Providing, or transferring ownership of, an interest in a superannuation scheme;
 - (i) Providing, or transferring ownership of, a futures contract through a recognised futures exchange;
 - (j) Paying or collecting any amount of interest, principal, dividend or other amount in respect of any debt instrument, share in the capital of a company, interest in a unit trust or similar contributory scheme, contract for the provision of credit, life insurance contract, interest in a superannuation scheme or futures contract;
 - (k) Agreeing to do, or arranging, any of the services specified in the preceding paragraphs of this section, other than merely advising on those services.
2. A supply of donated goods or services by a non-profit body.
3. The supply of accommodation in a residential dwelling by way of hire.
4. The supply of leasehold land by way of rental (not being a grant or sale of the lease of that land) to the extent that the land is used for the principal purpose of accommodation in a dwelling erected on that land but not including lease rentals payable under section 39 or section 39A of the Land Leases Act [Cap. 163].

5. The supply, being a sale, by any registered person in the course or furtherance of any taxable activity of –
 - (a) any dwelling; or
 - (b) the reversionary interest in the fee simple estate of any leasehold land, that has been used by the registered person for a period of 5 years or more before the date of the supply exclusively for the making of any supply or supplies referred to in paragraphs 3 or 4 of this Schedule.
6. The supply of education by an educational institution, including the supply of any goods and services incidental thereto.
7. The supply of services by a person being the direct operation of local tours, bookings of tours within Vanuatu and the renting of motor cars and motorcycles before 30 June 1999 where the person held a business licence under categories E5, E9 or E10 of the Business Licence Act [Cap. 173] on 30 April 1998 unless the person elects in writing to the Director that this clause not apply to such supplies made by the person.
8. (*Repealed*)
9. A payment in the nature of a grant or subsidy by the State to a person that is treated as a supply in the course of the person's taxable activity under section 3(2) of this Act that is made on or before 31 December 1998.
10. For the purposes of this Schedule the terms:

"donated goods and services" means goods and services that are gifted to a non-profit body and are intended for use in carrying on or carrying out of the purposes of that non-profit body;

"dwelling" means any building, premises, structure, or other place, or any part thereof, used predominantly as a place of residence or abode of any individual, together with any appurtenances belonging thereto and enjoyed with it, but does not include a commercial dwelling;

"educational institution" means any pre-school, primary school or secondary school registered by the Department of Education, the University of the South Pacific or any other similar educational institute approved by the Director.

SCHEDULE 2

(Section 10(3)(b))

Exempt importations

Goods admitted free of duty under the following provisions of the Import Duties (Consolidation) Act [Cap. 91]:

- (aa) X1A relating to goods imported for manufacturing or processing operation involving capital investment of VT 1 billion or more;
- (ab) X3A relating to goods imported for agriculture, horticulture, livestock or forestry projects involving capital investment of VT 1 billion or more;
- (ac) X4A relating to goods imported for inter-island shipping involving capital investment of VT 1 billion or more;
- (ad) X5A relating to goods imported for tourism development projects involving capital investment of VT 1 billion or more;
- (ae) X9A relating to fisheries industry equipment for project involving capital investment of VT 1 billion or more;
- (a) X.20 relating to certain personal and household reliefs;
- (b) X.21 relating to certain photographic film, negatives and audio or video recordings;
- (c) X.22 relating to legacies and inheritances;

- (d) X.23 relating to certain post and airfreight packages;
- (e) X.24 relating to certain wedding presents and other unsolicited goods;
- (f) X.30 relating to charities;
- (g) X.31 relating to trophies;
- (h) X.33 relating to uniforms, medals and decorations;
- (i) X.35 relating to certain school supplies;
- (j) X.40 relating to visiting vessels and aircraft;
- (k) X.41 relating to certain goods imported for display or use at exhibitions, fairs, meetings or similar events;
- (l) X.42 relating to certain goods imported for hire or loan;
- (m) X.43 relating to certain tools of trade and professional equipment;
- (n) X.44 relating to certain scientific and pedagogic material and equipment;
- (o) X.45 relating to certain commercial samples;
- (p) X.46 relating to inward processing relief;
- (q) X.47 relating to goods imported for duty free sale to tourists and departing passengers;
- (r) X.48 relating to certain goods imported temporarily for supply to foreign-going vessels and aircraft;
- (s) X.54 relating to certain items associated with funeral services;
- (t) X.60 relating to returned goods;
- (u) X.61 relating to certain containers, crates and the like;
- (v) X.64 relating to certain goods that not in accordance with the terms of a contract of sale imported by persons who are not registered persons; and
- (w) paragraphs (a) to (h) of X.65 relating to certain goods admitted under an international convention or agreement.
- (x) X.34 relating to certain church supplies.

SCHEDULE 3

(Section 11(2))

Zero-rated supplies

1. Any supply of goods if the registered person –
 - (a) exports the goods from Vanuatu in the course of the supply; or
 - (b) satisfies the Director that the goods have been exported from Vanuatu by the registered person; or
 - (c) satisfies the Director that the goods have been supplied to a person for consumption or use outside Vanuatu (including as stores on departing ships or aircraft or where the acquirer of the goods is a departing sea or air traveller); or
 - (d) sells the goods, to an air traveller arriving in Vanuatu, within an area under the control of the Director of Customs as a customs examining place under the Customs Act [Cap. 3]:

Provided that this paragraph will not apply to a supply of goods by a registered person –

 - (e) being goods in respect of which a deduction under section 19(4)(c) of this Act has been allowed to the registered person; or
 - (f) being goods which have been or will be re-imported into Vanuatu by the supplier.

2. Any supply of goods situated outside Vanuatu at the time of supply.
3. Any supply of services being the transportation of passengers or goods (including ancillary insurance or the arranging of the insurance or the arranging of the transport of passengers or goods) –
 - (a) from Vanuatu to a place outside Vanuatu;
 - (b) from a place outside Vanuatu to Vanuatu;
 - (c) within Vanuatu if part of the supply of transport services to which subparagraph (a) or (b) of this paragraph applies.
4. Any supply of services physically performed outside Vanuatu.
5. Any supply of services to a person who is not a resident of Vanuatu and who is outside Vanuatu at the time the services are performed.

However, this clause does not apply to services if:

 - (a) the services are supplied directly in connection with tangible property situated in Vanuatu at the time the services are performed; or
 - (b) another person who is not a registered person receives the performance of those services in Vanuatu.
6. Any supply of goods or services directly to an approved educational institution if:
 - (a) the goods or services are for use by that educational institution in the provision of:
 - (i) educational services; or
 - (ii) accommodation or meals to students and teaching staff where payment to the educational institution for those goods or services forms part of the fee paid for the educational services in the case of students and part of the remuneration for teaching services in the case of staff members; and
 - (b) the approved educational institution produces a valid approval certificate to the supplier of the goods or services at the time the supply is made.
7. Any supply of goods or services in respect of an approved aid project made directly by a person to a Diplomatic Mission of a foreign state, an international aid organisation or the Government of the Republic of Vanuatu.
8. For the purposes of this Schedule the term "approved aid project" means an aid project for which the project Memorandum of Understanding, or other like document, approved by the Council of Ministers and lodged with the Minister contains specific provisions for zero-rating under clause 7 of this Schedule.
9. The supply is:
 - (a) a supply to a registered person of taxable activity, or part of a taxable activity, that is, or is to be, transferred from the supplier to the recipient as a going concern; and
 - (b) agreed by the supplier and recipient, in writing, to be the supply of a going concern.
10. "approved educational institution" means an educational institution that:
 - (a) provides education that is exempt under clause 6 of Schedule 1; and
 - (b) is the holder of a valid approval certificate.

"approval certificate" means a certificate issued by the Director that includes the following information:

 - (a) the name of the educational institution;
 - (b) the certificate number;
 - (c) the period for which the certificate is valid.
11. Any supply of services provided to overseas postal organisations for the delivery in Vanuatu of postal articles mailed outside Vanuatu.

12. Any supply of services provided in relation to a vessel visiting Vanuatu if:
- (a) the services are supplied to a person who is not a resident of Vanuatu at the time the services are performed; and
 - (b) the vessel has been granted temporary import status under clause X.40 of Schedule 2 of the Import Duties (Consolidation) Act [Cap. 91]; and
 - (c) the services are supplied within 3 months after the vessel arrived in Vanuatu or such longer period as the Director may consider appropriate.
13. Payments to an agency of the State that represent appropriations under an Appropriation Act.

SCHEDULE 4

(Section 74)

Enactments repealed or amended

1. The following enactments are repealed with effect from 1 August 1998:
- (a) The Hotel and Licensed Premises Tax Act [CAP 141];
 - (b) The Amusement Machines Act [CAP 33]; and
 - (c) The Video Cassettes (Tax on Hiring) Act [CAP 180].
2. – 5. (Omitted)

Table of Amendments

2(1)	<i>Amended by Acts 45 of 2000, 28 of 2001, 28 of 2002, 47 of 2005</i>	45(8)(ea)	<i>Inserted by Act 45 of 2000</i>
2(2)	<i>Inserted by Act 28 of 2001</i>	51(1)(o),(p),(q),(r)	<i>Inserted by Act 28 of 2002</i>
3(3A)	<i>Inserted by Act 28 of 2001</i>	51(7)	<i>Inserted by Act 28 of 2002</i>
3(10)	<i>Amended by Acts 45 of 2000, 28 of 2001</i>	51A	<i>Inserted by Act 47 of 2005</i>
3(11), (12)	<i>Inserted by Act 45 of 2000</i>	54(1A)	<i>Inserted by Act 28 of 2002</i>
3(11)	<i>Amended by Act 28 of 2001</i>	56(4)(a)	<i>Amended by Act 45 of 2000</i>
4(3)(ab)	<i>Inserted by Act 45 of 2000</i>	57(1)	<i>Amended by Act 45 of 2000</i>
5(1)(a)	<i>Amended by Act 45 of 2000</i>	Sched 1, cl 4	<i>Amended by Act 6 of 2004</i>
5(1)(c)	<i>Repealed by Act 45 of 2000</i>	Sched 1, cl 8	<i>Amended by Acts 24 of 1998, 5 of 2000, 45 of 2000, 28 of 2001, 28 of 2002; Repealed by Act 30 of 2003</i>
5(6)	<i>Amended by Act 45 of 2000</i>	Sched 2, (aa)-(ae)	<i>Inserted by Act 20 of 2005</i>
5(8)	<i>Amended by Act 45 of 2000</i>	Sched 2, (x)	<i>Inserted by Act 28 of 2001</i>
6(2)	<i>Amended by Act 45 of 2000</i>	Sched 3, cl 5	<i>Amended by Act 45 of 2000</i>
6(4)	<i>Amended by Act 45 of 2000</i>	Sched 3, cl 6	<i>Substituted by Act 45 of 2000</i>
6(6)	<i>Amended by Act 45 of 2000</i>	Sched 3, cl 7	<i>Substituted by Act 5 of 2000</i>
7	<i>Substituted by Act 28 of 2002</i>	Sched 3, cl 8	<i>Amended by Act 5 of 2000; Substituted by Act 28 of 2001</i>
8	<i>Repealed by Act 28 of 2002</i>	Sched 3, cl 9	<i>Inserted by Act 45 of 2000</i>
11(1)(b)(ii)(a)	<i>Inserted by Act 28 of 2002</i>	Sched 3, cl 10	<i>Inserted by Act 45 of 2000</i>
12(8)	<i>Inserted by Act 28 of 2002</i>	Sched 3,	
16(1)	<i>Substituted by Act 45 of 2000</i>	cl (11), (12)	<i>Inserted by Act 28 of 2001</i>
19(7)(c)(i)	<i>Substituted by Act 45 of 2000</i>	Sched 3, cl (13)	<i>Inserted by Act 30 of 2003</i>
24(6)	<i>Substituted by Act 45 of 2000</i>	Sched 4, 2-5	<i>Consequential amendments to Caps. 196, 172, 31 omitted per Cap. 295</i>
33(1A), (1B)	<i>Inserted by Act 28 of 2002</i>		
38	<i>Substituted by Act 28 of 2002</i>		
41(3)(b)	<i>Substituted by Act 28 of 2001</i>		
41A	<i>Inserted by Act 30 of 2003</i>		