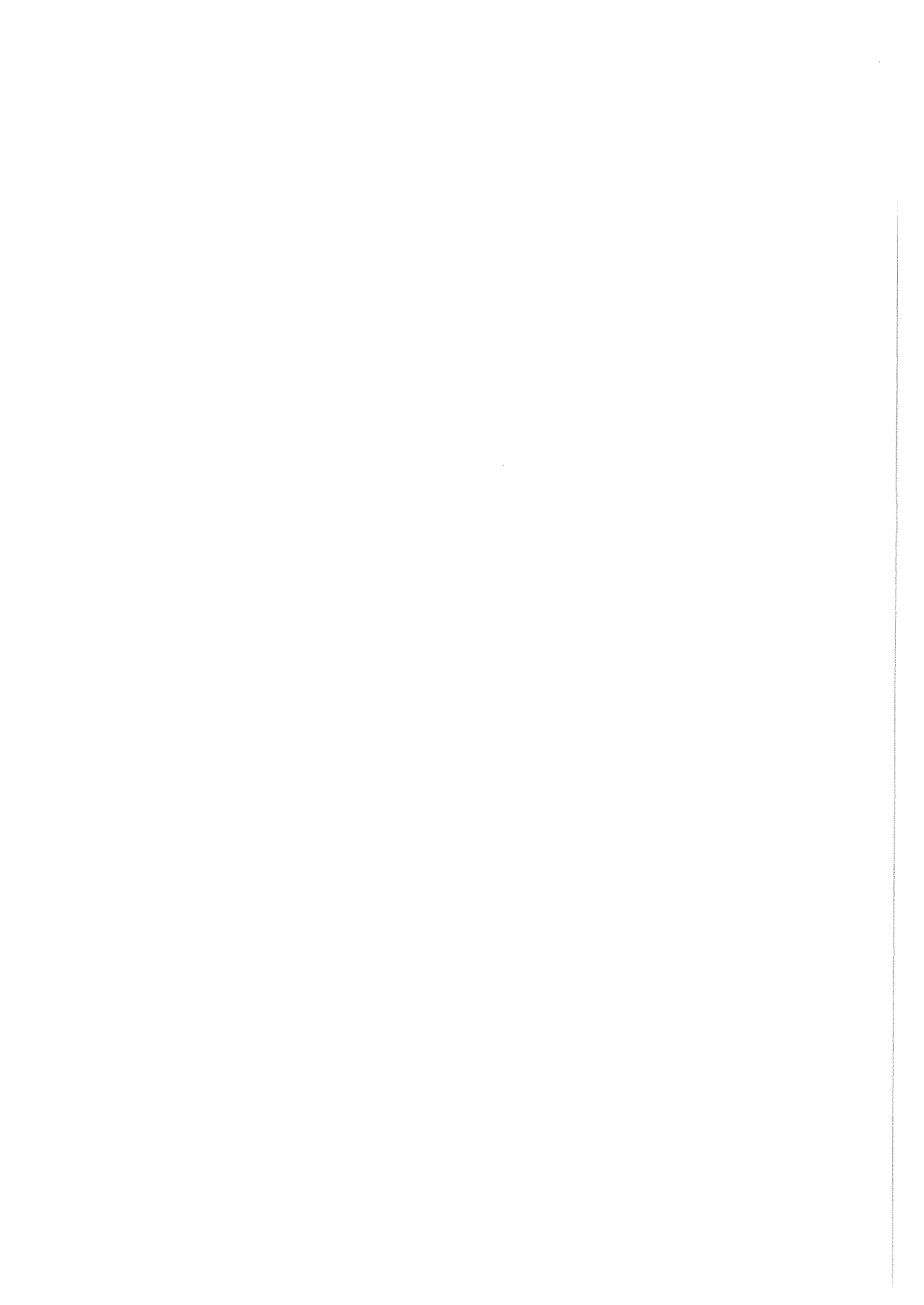




# **SALES TAX (AMENDMENT) BILL 2014**

(NO. 12 OF 2014)





# **SALES TAX (AMENDMENT) BILL 2014**

(NO. 12 OF 2014)

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BILL

Entitled

**AN ACT TO AMEND THE SALES TAX ACT (CAP.125) IN ORDER TO STRENGTHEN THE PROCEDURES FOR COLLECTING TAX BY PROVIDING PROVISIONS FOR PREPAYMENT OF TAX AT FIRST POINT OF SALE FOR CERTAIN LIMITED GOODS AND SERVICES.**

**ENACTED** by the National Parliament of Solomon Islands.

## ARRANGEMENT OF CLAUSES

1. Short title and commencement
2. Amendment of Section 2
3. Insertion of new sections 2A and 2B
4. Amendment of section 3A
5. Insertion of new section 23A
6. Amendment of Schedule
7. Insertion of new Schedule Two

# SALES TAX (AMENDMENT) BILL 2014

## PART 1 – PRELIMINARY

1. This Act may be cited as the Sales Tax (Amendment) Act 2014 and shall come into operation on such date as the Minister may appoint by notice published in the Gazette.

Short title and commencement

2. Section 2 of the Sales Tax Act (hereinafter referred to as the “principal Act”) is hereby amended in the following respects –

Interpretation

(a) by inserting after the definition of “prescribed goods or services” the following new definition –

“prepayment type goods and services” means prescribed goods or services declared to be subject to prepayment by or pursuant to this Act and set out in Schedule Two”;

(b) in the definition of “purchaser” by adding at the end of paragraph (b) the word “or” and inserting thereafter the following new paragraph as paragraph (c) –

“(c) any person who acquires prepayment type goods or services anywhere; ”

(c) in the definition of “sale” or “sells” by adding at the end of paragraph (d) the word “or” and inserting thereafter the following new paragraph as paragraph (e) –

“(e) a sale of prepayment type goods or services to a purchaser;

(d) in the definition of “value” –

(i) by deleting the word “and” that appears at the end of paragraph (b);

(ii) by adding at the end of paragraph (c) the word “and”, and inserting thereafter the following new paragraph as paragraph (d) –

“(d) in the case of prepayment type goods or services, the greater of –

(i) the price for which the prepayment type goods or services were purchased as expressed in terms of Solomon Islands currency; or

(ii) the price for which prepayment type goods or services are generally sold to consumers”.

Insertion of  
new sections  
2A and 2B

3. The principal Act is amended by inserting after section 2 the following new sections as sections 2A and 2B respectively -

“Vendor to  
provide  
record of  
prepaid sales  
tax

2A The vendor of prepayment type goods or services on which sales tax has been prepaid must provide to a purchaser a record of the sales tax prepaid in respect of the goods or services being purchased.”

“Reduction  
of sales tax  
prepaid

2B The amount of sales tax a purchaser is charged on prepayment type goods or services is reduced by any sales tax prepaid in respect of the goods or services being purchased, consistent with the record of prepaid tax provided by the vendor in accordance with section 2A.”

Amendment  
of section 3A

4. Section 3A of the principal Act is amended by deleting the word “There” that appears at the commencement of that section and inserting the following words “Notwithstanding the application of the definition of prepayment type goods and services, there”.

Insertion of  
new section  
23A

5. The principal Act is amended by inserting after section 23 the following as section 23A -

“Commissioner’s  
ruling

23A (1) The Commissioner may, by way of a public ruling, explain the Commissioner’s interpretation of any provisions of the Act;

(2) The Commissioner may not collect tax greater than that due under the provisions of this act as interpreted by the Commissioner in a public ruling authorized by this section.

(3) The Commissioner may not seek to impose any penalty for failure to pay tax exceeding that due under the provisions of this Act as interpreted by the Commissioner in a public ruling authorized by this section.”

6. The principal Act is amended by replacing the present heading to the Schedule with the words “SCHEDULE ONE”.

Amendment  
of Schedule

7. The principal Act is amended by inserting after the existing Schedule a new Schedule as “SCHEDULE TWO”.

Insertion of  
new Schedule  
Two

## “SCHEDULE TWO

### Prepayment Type Goods and Services

1. Local and Overseas Telecommunications
2. Sale of petroleum from any premises licensed under the Petroleum Rules
3. Sale of diesoline from any premises licensed under the Petroleum Rules”.

## SALES TAX (AMENDMENT) BILL 2014

### OBJECTS AND REASONS

The Sales Tax Act was introduced in 1990 to impose a sales tax on certain prescribed goods and services.

The liability for the tax in terms of the existing provisions falls on the final consumer and the vendor of the prescribed goods and services is required to be registered and to levy and collect the tax as an agent of the Commissioner of Inland Revenue.

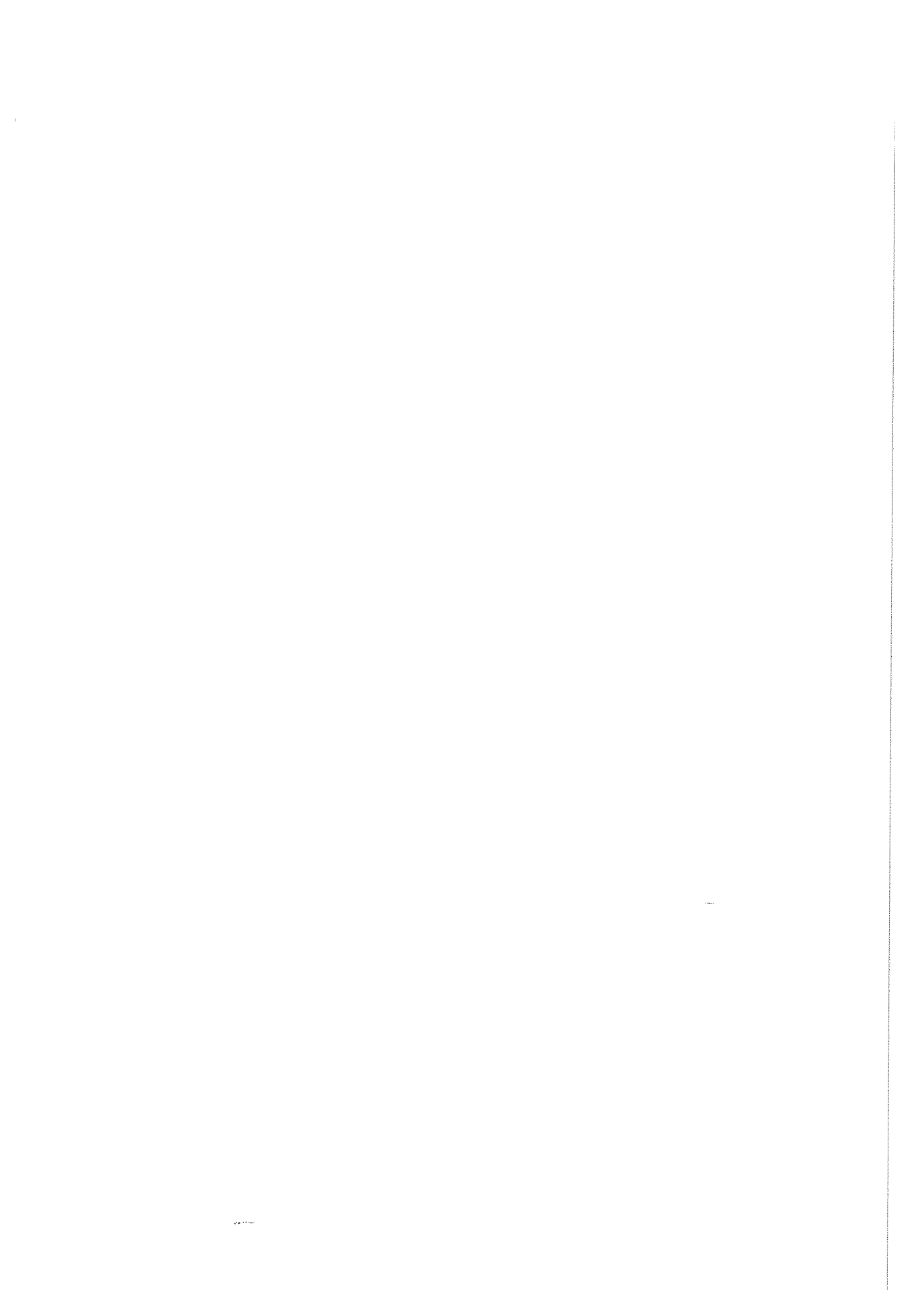
The proposed amendments to the Act seek to introduce the provisions for prepayment of sales tax at the first point of sale for certain limited goods and services. This will ensure that the Government collects the right amount of tax at a stage where collection is most appropriate to reduce collection and compliance costs.

The proposed changes sought, will apply to sales of local and overseas telecommunication services and sales of petrol and diesoline from premises licensed under the Petroleum Rules. These goods and services are already subject to sales tax.

The goods and services to which the new provisions apply will be listed in a new Schedule Two.

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**MINISTER OF FINANCE AND TREASURY**





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