



GOODS TAX (AMENDMENT) BILL 2018

(NO. 5 OF 2018)



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A

BILL

Entitled

AN ACT TO AMEND THE GOODS TAX ACT (CAP. 122) IN RELATION TO THE WAY THE SALE VALUE OF CERTAIN GOODS IS CALCULATED, AND FOR RELATED PURPOSES

ENACTED BY THE NATIONAL PARLIAMENT OF SOLOMON ISLANDS.

GOODS TAX (AMENDMENT) BILL 2018

Table of provisions

PART 1	PRELIMINARY MATTERS.....	1
1	Short title	1
2	Commencement	1
PART 2	AMENDMENT OF GOODS TAX ACT (CAP. 122).....	1
3	Act amended	1
4	Section 21 amended	1
5	Section 22 amended	1
6	Section 23 amended	1
7	Section 25 amended	2
8	Section 26 amended	2
9	Section 28 amended	2
10	Sections 33 and 38 amended	2
PART 2	AMENDMENT OF GOODS TAX REGULATIONS.....	3
11	Regulations amended	3
12	Goods Tax Regulations	3

GOODS TAX (AMENDMENT) BILL 2018

PART 1 PRELIMINARY MATTERS

1 Short title

This Act may be cited as the *Goods Tax (Amendment) Act 2018*.

2 Commencement

This Act commences on the day appointed by the Minister by notice in the *Gazette*.

PART 2 AMENDMENT OF GOODS TAX ACT (CAP. 122)

3 Act amended

This Part amends the *Goods Tax Act* (Cap. 122).

4 Section 21 amended

Section 21 is amended by:

(a) in paragraph (b), deleting “his certificate in respect of the entry,” and substituting “his or her certificate in respect of the entry; or”; and

(b) inserting the following new paragraph after paragraph (b):

“(c) a registered person who quotes his or her certificate in respect of the entry;”.

5 Section 22 amended

Section 22(1) is amended by deleting “21” and substituting “21(1)(a) and (b)”.

6 Section 23 amended

Section 23(a) is amended by deleting “21(1)” and substituting “21(1)(a) or (b)”.

7 Section 25 amended

- (1) Section 25(1) is amended by deleting “For the purpose” and substituting “Subject to subsection (1A), for the purpose”.
- (2) Section 25 is amended by inserting the following new subsection after subsection (1):

“(1A) The minimum sale value of the goods is an amount equal to 130% of the sum of:

(a) the customs value of the goods as determined in accordance with the *Customs and Excise Act* (Cap. 121); and

(b) the amount of customs duty (if any) that is, or may become, payable in respect of the goods.”.

8 Section 26 amended

- (1) Section 26 is amended by deleting “For the purpose” and substituting “(1) Subject to subsection (2), for the purpose”.
- (2) Section 26 is amended by inserting the following new subsection after subsection (1) (as renumbered):

“(2) The minimum sale value of the goods is an amount equal to 130% of the sum of:

(a) the customs value of the goods as determined in accordance with the *Customs and Excise Act* (Cap. 121); and

(b) the amount of customs duty (if any) that is, or may become, payable in respect of the goods.”.

9 Section 28 amended

Section 28(1) is amended by deleting “, where no specific provisions apply,”.

10 Sections 33 and 38 amended

Sections 33 and 38 are amended by deleting “21” and substituting

“21(1)(a) or (b)”.

PART 2 AMENDMENT OF GOODS TAX REGULATIONS

11 Regulations amended

This Part amends the *Goods Tax Regulations*.

12 Goods Tax Regulations

Regulation 31 of the *Goods Tax Regulations* (LN 9 of 1993) is amended by:

- (a) inserting (1) before “A person”; and
- (b) in subsection (1), deleting “21” and substituting “21(a) or (b)”;
and
- (c) inserting the following new subsection at the end:
 - “(2) This regulation does not apply to a registered person who quotes his or her certificate in relation to the entry of the goods.”

GOODS TAX (AMENDMENT) BILL 2018

OBJECTS AND REASONS

There are strong concerns that persons registered for goods tax purposes are undervaluing goods at the wholesale level to pay less goods tax. As a tax compliance measure, for goods imported into Solomon Islands, the sale value on which goods tax is applied will be set at an uplifted value to represent the mark-up at the wholesale level. The uplifted value is the customs value of the goods plus the amount of customs duty payable, all uplifted by 130%.

The same uplifted value is currently used to charge goods tax on goods that are imported for home consumption by an unregistered person or a registered person who does not quote his certificate in respect of the entry.

The Commissioner of Taxation will still be responsible for the collection of Goods Tax from those registered for goods tax. Despite the proposed amendments to the sale value used to determine the goods tax payable on imported goods, the Commissioner will retain the power to determine and where necessary alter the sale value of the goods.

HON. MANASSEH SOGAVARE
MINISTER FOR FINANCE AND TREASURY

GOODS TAX (AMENDMENT) BILL 2018
EXPLANATORY MEMORANDUM

Part 1 provides for preliminary matters.

Clauses 1 and 2 provide for the short title and commencement of the Act.

Part 2 amends the *Goods Tax Act* (Cap. 122).

Clause 4 amends section 21 so that the way the sale value of goods imported for home consumption is calculated is the same for registered and unregistered persons, including registered person who quote their certificate in respect of the entry of the goods.

Clauses 5 and 6 amend references to section 21 in sections 22 and 23 as a consequence of the amendments made to section 21. These consequential amendments retain the status quo – that is, that sections 22 and 23 continue to apply only in relation to unregistered persons and registered persons who do not quote their certificate.

Clauses 7 and 8 amend sections 25 and 26 so that the minimum sales value of imported goods entered in certain situations is 130% of the sum of customs value of the goods and the amount of duty payable on the goods.

Clause 9 amends section 28 so that the Commissioner will have the power to alter the sale value of goods even where specific provisions apply in relation to determining the sale value.

Clause 10 amends references to section 21 in sections 33 and 38 as a consequence of the amendments made to section 21.

Part 3 amends the *Goods Tax Regulations*

Clause 12 amends regulation 31 of the *Goods Tax Regulations* to maintain the current way goods tax payable on the sale value of goods imported for home consumption is collected – that is, the Commissioner of Inland Revenue collects the tax from registered persons, and the Comptroller of Customs collects the tax from unregistered persons. This amendment is necessary because regulation 31 previously only applied to unregistered persons, as registered persons did not pay tax under section 21. Without amending regulation 31, the amendment to section 21 would have the effect of applying regulation 31 to

both registered and unregistered persons, so that the Comptroller of Customs collects the tax from both. The amendment to regulation 31 avoids this to maintain the current system of collection.