



**REPORT FOR THE  
LEGISLATIVE ASSEMBLY**

**“Value Added Goods and Services Tax Bill  
2015”**

**FOREIGN AFFAIRS, TRADE & REVENUE  
COMMITTEE**

**RECOMMENDATION:**

The Foreign Affairs, Trade & Revenue Committee recommends that the Assembly take note of its Report.

**BILL CONSIDERED:**

*(Referred on 30/06/2015)*

**Value Added Goods and Services Tax Bill 2015.**

The Foreign Affairs, Trade and Revenue Committee<sup>1</sup> was scrutinizing the Value Added Goods and Services Tax Bill 2015, as referred to by the Legislative Assembly on the 30<sup>th</sup> of June 2015.

**PROCEEDINGS:**

The Committee invited submissions from the public by broadcasting a notice on Television (S.Q.B. TV 1) and on radio (2AP) about the Amendment Bill.

The Committee also requested the assistance of the following as they considered this Bill.

**ASSISTANCE /WITNESSES<sup>2</sup>**

**Attorney General's Office:**

|                   |   |                            |
|-------------------|---|----------------------------|
| Loretta Teueli    | - | Assistant Attorney General |
| Rupeni Nawaqakuta | - | Legal Drafter              |
| Meiapo Faasau     | - | Assistant Legal Drafter    |
| Lizatalei Hakai   | - | Law Clerk                  |

**Ministry for Revenue**

|                         |   |                         |
|-------------------------|---|-------------------------|
| Pitolau Lusua Sefo-Leau | - | Chief Executive Officer |
| Leiātaua Komisi Korua   | - | Legal Consultant        |
| Tui Faasili             | - | ACEO - Policy           |

<sup>1</sup> SO 177, SOOALO Mene, AFUALO Wood Uti Salele, GATOLOAIFAANA A.A.Gidlow, TUISA Tasi Patea, PAPALII Lio.F.T.Masepau, TOEOLESULUSULU C.P.S.Schuster, FAIMALOTOA Kika. I. Stowers.

<sup>2</sup> SO, 156, "A Select Committee may seek the assistance of persons as advisers to the Committee and may invite any person to be present at any meeting of the Committee to assist it in its consideration of any matter."

**Ministry of Foreign Affairs & Trade:**

|                  |   |                         |
|------------------|---|-------------------------|
| Belinda Tafunai  | - | Principal Officer - FSO |
| August Ah Yen    | - | Senior Officer - FSO    |
| Cecilia Schwenke | - | Senior Officer - FSO    |

**Ministry of Agriculture and Fisheries:**

|               |   |              |
|---------------|---|--------------|
| Leota Laumata | - | ACEO - Crops |
|---------------|---|--------------|

**Samoa Farmers Association:**

|                   |   |           |
|-------------------|---|-----------|
| Tolefoa Faamatata | - | President |
|-------------------|---|-----------|

**Samoa Association of Manufacturers & Exporters:**

|                      |   |                   |
|----------------------|---|-------------------|
| Tagaloa Eddie Wilson | - | President         |
| Edwin Tamasese       | - | Executive member  |
| Patrick Rasmussen    | - | Executive member  |
| Henriette M'Neil     | - | Policy Advisor    |
| Enelata Samau        | - | Executive member. |

**Ministry of Commerce, Industry & Labour:**

|                                   |   |                 |
|-----------------------------------|---|-----------------|
| Salote Meredith                   | - | ACEO            |
| Pulotu Lindon Chu Lin             | - | ACEO            |
| Aufai Fulisaiilagitele Saleuesile | - | Principal - TCM |

**FINDINGS:**

The Bill intends to replace the Value Added Goods and Services Tax 1992/1993 (“the Act”). This Bill is significant in addressing Samoa’s membership of the World Trade Organisation, as well as the improvements in terms of technology, e-commerce, and provides for international services nowadays and the ability of the Ministry of Revenue to develop new taxation rules to accommodate for those changes.

The Bill aims to reduce tax costs for certain smaller businesses by increasing the “turnover threshold” at which businesses have to register. The main objectives of the Bill are:

- To simplify, clarify and modernize the GST rules;
- To align the rules with technical international best practices;
- To align with similar tax laws recently introduced by other Pacific Island countries;

- *To remove “primary industry” from the list of exempt supplies;*
- *To increase the registration threshold to an annual turnover of \$130, 000;*  
*and*
- To extend the rules to be applied on certain imported services not currently taxed.

In the course of its deliberations, the Committee noted that there are two major objectives of the Bill, which are:

1. *To remove “primary industry” from the list of exempt supplies;*
2. *To increase the registration threshold to an annual turnover of \$130, 000.*

The Committee received a Cabinet Directive FK(15)21 on the 20<sup>th</sup> of July 2015, which addresses the Approved amendment to the Value Added Goods and Services Tax Bill 2015, to *“remove the Electric Power Corporations from its Current Position under The Exempt Supplies and place it under the Zero-Rated Category”*.

The Committee also considered written submissions from the Private Sector such as; the Samoa Association of Manufacturers & Exporters (SAME) and the Samoa Farmers Associations on the 23<sup>rd</sup> of July 2015. Concerns were raised and are listed below:

- The overall impact of raising the registration threshold is to add new costs onto primary production and agriculture.
- The Bill doesn’t say what benefits will result from lifting the exemption from the Sector and the increase of the threshold especially for Farmers.
- Is it a revenue raising measure?
- If it is a requirement for Samoa’s entry into the WTO, then the Samoa Farmers Association believes it should be done elsewhere but not in the Primary Production Sector.

The Committee noted that other private sectors supported the increase of the registration threshold because it will develop smaller businesses. However, they also raise concerns that are listed below:

- GST registered companies will not be able to claim GST back from products bought from non-registered companies, which would mean most agro-processing companies and small businesses selling agriculture products.
- Does not support the proposal for the Electric Power Corporation to change from exempt status to zero-rated which they think the EPC has the option of charging GST to customers.
- The removal of primary production from the list of exempt business from GST would incur higher costs for agro-processors.

The Committee met with the Ministry of Foreign Affairs and Trade on the 20<sup>th</sup> of August to consider the overview of the Bill especially WTO provisions. The Ministry conveyed that there's no major impact if the threshold should be increase.

Farmers will benefit from increasing the threshold because they won't be paying any tax even if they exceed \$130, 000, from exported goods as well as income tax.

The Ministry for Revenue submitted their response regarding concerns on the Bill on the 21<sup>st</sup> of August. The Ministry stated that:

- The removal of the exemption will not change the current tax obligations for local producers nor will it affect the price of their goods.
- The removal of the exemption is not a revenue raising measure. It is a part of Samoa's WTO accession commitment which was ratified in May 2012.
- The concern that GST taxpayers will not be able to claim GST on products bought from non-registered suppliers is not a reasonable concern. According to the law, it is illegal for non-registered companies to charge VAGST on their goods.
- The assertion that *"EPC will have the option of charging GST to customers"* as a result of zero-rating is factually incorrect. This would mean that, the supply can only be charged at the rate of zero percent (0%), and can impact the EPC positively as they will claim back all VAGST that is paid on its input.

## **BILL CONSIDERATION:**

The Committee noted during its consideration in detail of the Bill that the provisions therein are sufficient except for amendments to the following schedules:

### **A. Schedule 2 Paragraph 1(d):**

Remove paragraph 1(d) from Schedule 2 and renumber paragraph accordingly.

### **B. Schedule 3 Paragraph 1:**

After paragraph 1(n), insert:

"(o) the supply of electricity under the Electric Power Corporation Act 1980."

## **RESOLUTION:**

After the consideration in Detail of the Bill the Committee resolved:-

That the Value Added Goods and Services Tax Bill 2015, progress with amendments.

**COMMITTEE SIGNATURES.**

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SOOALO Mene  
**CHAIRPERSON**

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AFUALO Wood U.Salele  
**DEPUTY CHAIRPERSON**

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GATOLOAIFAANA A.Gidlow  
**MEMBER**

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TUISA Tasi Patea  
**MEMBER**

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PAPALII Lio.F.T.Masepau  
**MEMBER**

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TOEOLESULUSULU C.P.S.S.  
**MEMBER**

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FAIMALOTOA Kika I. Stowers  
**MEMBER**