

**NITIJELA OF THE REPUBLIC OF THE MARSHALL ISLANDS**  
**46<sup>TH</sup> CONSTITUTIONAL REGULAR SESSION, 2025**



Republic of the Marshall Islands  
*Jepilpilin Ke Ejukaan*

**CONSUMPTION TAX ACT 2025**

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**CONSUMPTION TAX ACT 2025**

**AN ACT** to include a new Chapter under Title 48 of the MIRC, in order to provide for the imposition of the Consumption Tax and for matters related connected therewith.

**BE IT ENACTED BY THE NITIJELA OF THE REPUBLIC OF THE MARSHALL ISLANDS**

**PART I – PRELIMINARY**

**§1. Short title.**

This Chapter may be cited as the Consumption Tax Act 2025.

**§2. Definitions**

In this Act, unless the context otherwise requires:

“approved form” has the same meaning as in the Tax Administration Act;

“associate” has the same meaning as in the Tax Administration Act;

“capital asset” means a tangible or intangible asset of an enterprise having a useful life of longer than one year, but does not include an asset that is inventory of the enterprise;

“commencement date” means the date specified in section 59(2);

“consumption tax” or “CT” means the consumption tax imposed under section 7;

“corporation” has the same meaning as in the *Business Corporation Act*;

“consideration”, in relation to a supply, has the meaning in section 3;

“credit note” means a credit note that a registered person is required to issue under section 40;

“creditable acquisition”, in relation to a registered person, means:

- (1) a taxable supply made to the person by another registered person;
- (2) a reversed charged supply made to the registered person; and
- (3) a taxable import made by the person;

“CT period” means the calendar month;

“Customs legislation” means the *Import Duties Act 1989* or any successor legislation dealing with Customs;

“debit note” means a debit note that a registered person is required to issue under section 40;

“deemed output tax”, in relation to a registered person, means output tax deemed to be received by the registered person under section 18(2), 27(2), 35(2) or 36(4)(b);

“deemed taxable supply”, in relation to a registered person, means a taxable supply deemed to have been made by the person under section 18(1) or 27(1);

“digital services” means services that are delivered electronically and supplies of digital products including, but not limited to, e-books, movies, television shows, music, newspapers, software, and games;

“electronic interface” means a website, internet portal, gateway, store, marketplace, distribution platform, or other similar platform that is operated electronically through which a supplier makes a supply of services or electronically ordered goods through the operator of the platform to a third party;

“employment” means an employer-employee relationship as determined under the usual common law rules and includes activities performed as the holder of an office unless the office is held as part of the business of an office holder;

“enterprise” has the meaning in section 4;

“entity” means a partnership, trust, corporation, foreign corporation, and an unincorporated body or association of persons;

“exempt import” means an import that, by virtue of section 9, is an exempt import as listed in the First Schedule;

“exempt supply” means a supply that, by virtue of section 10, is an exempt supply as listed in the Second Schedule;

“exempt use” means the use of goods or services to make an exempt supply;

“fair market value” has the meaning in section 5;

“foreign corporation” has the same meaning as in the *Business Corporation Act* and includes a corporation created by statute in a foreign country;

“goods” means immovable or tangible movable property, but does not include:

- (1) money; or
- (2) a product that is transmitted electronically by means of a wire, cable, optical, other electromagnetic system or other similar technical system;

“Government” means the Government of the Republic of the Marshall Islands;

“government entity” means:

- (1) the Government, including a department, division, or agency of the Government;
- (2) a political subdivision of the Government; or
- (3) a person that has the responsibility to issue a license, permit, certificate, concession, authorization, or other document for a fee under a law of the Republic;

“import” means to bring goods, or cause goods to be brought, into the Republic from a place outside the Republic;

“importer”, in relation to an import of goods, means the person who owns the goods, and includes any other person in possession of, or beneficially interested in, the goods at the time of import;

“inbound tourism product” means accommodation, meals, transfers, tours, or other tourist activities in the Republic;

"input tax", in relation to a person, means:

- (1) the consumption tax paid in respect of a creditable acquisition by the person but does not include late payment interest or a penalty imposed under this Chapter or the Tax Administration Act in respect of a creditable acquisition; and
- (2) an amount that is treated for the purposes of this Chapter as input tax paid by the person,

"input tax credit" means the credit for input tax allowed under this Chapter;

"international agreement" means an agreement between the Government and a foreign government or international organization for the provision of financial, technical, humanitarian, or administrative assistance to the Government;

"international organization" has the same meaning as in the *International Organization Immunities Act 1974*;

"inventory" has the same meaning as in the *Net Profit Tax Act, 2025*;

"invoice" means a document notifying an obligation to make a payment and includes a tax invoice;

"large unregistered person" means a person who is not a registered person solely or mainly making exempt supplies with an annual turnover taking account of all supplies in excess of \$300,000;

"late payment interest" means late payment interest imposed under the Tax Administration Act;

"Minister" means Minister responsible for Finance;

"money" means:

- (1) any coin or paper currency that is legal tender in the Republic or elsewhere, other than a coin or paper currency that is a collector's piece or an investment article;
- (2) a bill of exchange, promissory note, bank draft, or postal or money order; or
- (3) a payment provided by way of:
  - (i) a credit card or debit card; or

(ii) the crediting or debiting of an account;

“Net Profit Tax Act” means the *Net Profit Tax Act, 2025*;

“output tax”, in relation to a registered person, means:

- (1) the consumption tax received by the person in respect of a taxable supply made by the person; and
- (2) an amount that is deemed output tax of the person;

“person” means a natural person, entity, government, political subdivision of a government, or international organization;

“prescribed” means prescribed in Regulations;

“recipient”, in relation to a supply, means the person or persons to whom the supply is made;

“recipient-created tax invoice” means a recipient-created tax invoice that a registered person is required to create under section 39;

“registered person” means a person registered under section 14, and includes a person who is required to apply for registration but who has not done so within the time specified in section 12;

“registration threshold” means the monetary amount specified in section 12(2);

“Republic” means the Republic of the Marshall Islands;

“reverse charged supply” has the meaning in section 6;

“services” means anything that is not goods or money;

“Secretary” means the Secretary of the Ministry responsible for finance;

“state owned enterprise” has the same meaning as in the *State-Owned Enterprises Act, 2015*”;

“stores” has the same meaning as under the Customs legislation;

“supplier”, in relation to a supply, means the person or persons who made the supply;

“supply” means a supply of goods, a supply of services, and a reverse charged supply;

“supply of goods” means a sale, exchange, or other transfer of the right to dispose of goods as owner, including under a lease purchase agreement;

“supply of services” means anything done that is not a supply of goods or money, and includes:

- (1) the provision of utilities;
- (2) the grant, assignment, or surrender of any right; and
- (3) the transmission of a product by means of a wire, cable, radio, optical, or other electromagnetic system, or by means of a similar technical system;

“Tax Administration Act” means the Tax Administration Act, 2025;

“tax invoice” means a tax invoice that a registered person is required issue under section 39;

“tax law” has the same meaning as in the Tax Administration Act;

“taxable import” means an import of goods, other than an exempt import;

“taxable supply” means a supply, other than an exempt supply, made in the Republic by a person in the course of furtherance of an enterprise, and includes a deemed taxable supply;

“taxpayer identification number”, in relation to a person, means the taxpayer identification number issued to the person under the Tax Administration Act;

“telecommunications services” has the same meaning as in section 103(1)(q) of the *Telecommunications (Reform) Act 2025* and includes:

- (1) the related transfer or assignment of the right to use capacity for such transmission, emission, or reception; or
- (2) the provision of access to global or local information networks, but does not include the supply of the underlying writing, images, sounds, or information;

“trust” includes the estate of a deceased person; and

“zero-rated supply” means a supply that, by virtue of section 11, is a zero-rated supply as listed in the Third Schedule.

### §3. Consideration

- (1) Subject to this section, the consideration for a supply is the total of the following amounts:

- (a) the amount in money paid or payable by any person, directly or indirectly, for the supply;
  - (b) the fair market value of an amount in kind paid or payable by any person, directly or indirectly, for the supply;
  - (c) a service charge paid or payable in respect of the supply; and
  - (d) any taxes, duties, levies, fees, and charges (not including consumption tax) paid or payable on, or by reason of the supply,
- (2) The amount calculated under subsection (1) shall be reduced by any price discounts or rebates allowed and accounted for at the time of the supply.
  - (3) A discount or rebate in relation to a supply, or other adjustment to the price of a supply, allowed or made after the time of the supply is accounted for under the adjustment rules in Part VII.
  - (4) The consideration for a sale of goods under a lease purchase agreement to which section 19(4) applies shall not include any amount payable in relation to a supply of credit under the agreement.

#### §4. Enterprise

- (1) Subject to this section, an enterprise is:
  - (a) an activity carried on continuously or regularly by a person, whether for pecuniary profit or not, if the activity involves or is intended to involve the supply of goods or services to another person for consideration, including a business, trade, commerce, manufacture, profession, vocation, or occupation of any kind; or
  - (b) an activity of a government entity that involves the supply of goods or services for a fee, including but not limited to the service of issuing a license, permit, certificate, concession, authorization, or other document for a fee.
- (2) An enterprise shall not include:
  - (a) an employment;
  - (b) a hobby or leisure activity of an individual; or

- (c) an activity of a person, other than an individual, which is essentially carried on as a hobby or leisure activity for the benefit of a member, owner, or associate of the person.
- (3) An activity done or undertaken in the commencement, termination, or reorganization of an enterprise shall be treated as done in the course or furtherance of the enterprise.

## §5. Fair Market Value

- (1) The fair market value of a supply at a particular time shall be the consideration the supply would fetch in an open market transaction freely made between persons who are not associates at that time.
- (2) If it is not possible to determine the fair market value of a supply at a particular time under subsection (1), the fair market value shall be the consideration a similar supply would ordinarily fetch in an open market transaction freely made between persons who are not associates at that time, adjusted to take account of the differences between the similar supply and the actual supply.
- (3) A supply is similar to another supply if it is the same as, or closely resembles, the other supply taking account of the character, quality, quantity, functionality, materials, and reputation of the goods or services supplied.
- (4) If the fair market value of a supply cannot be determined under subsection (1) or (2), the fair market value of a supply shall be the consideration that is an objective approximation of the consideration the supply would fetch in an open market transaction freely made at the time of the actual supply between persons who are not associates as determined by the Secretary based on generally accepted principles of valuation.
- (5) If a provision of this Act Chapter requires the fair market value to be determined at a particular time for particular goods or services, or for an asset held by a person, that value is worked out by reference to the fair market value of a supply of those goods or services, or that asset, as determined under this section, at that time.

**§6. Reverse Charged Supply**

- (1) A reverse charged supply is a supply of services that satisfies the following conditions:
  - (a) the supply is made by a person outside the Republic, whether or not a registered person, who does not carry on an enterprise through a fixed place of business in the Republic;
  - (b) the supply is made to a registered person or a large unregistered person;
  - (c) the supply is not a taxable supply because the supply is not made in the Republic; and
  - (d) the supply would have been a taxable supply if it had been made in the Republic.
- (2) Subject to subsection (3), if a registered person or a large unregistered person carries on an enterprise both in and outside the Republic, an internal provision of services from the part of the enterprise carried on outside the Republic to the part of the enterprise carried on in the Republic is treated as a reverse charged supply to the registered person or large unregistered person, as the case may be.
- (3) Subsection (2) does not apply if a supply of the services would be an exempt supply.
- (4) The time of a reverse charged supply under subsection (2) occurs at the time the performance of the services is complete and value of the supply is the fair market value of the services at the time of the supply.

**PART II – IMPOSITION OF TAX****§7. Imposition and Liability for Consumption Tax**

- (1) Subject to this Chapter, there is hereby imposed consumption tax at the rate specified in subsection (3) on:
  - (a) every taxable supply made by a registered person;
  - (b) every taxable import by any person; and
  - (c) a reverse charged supply made to a registered person or large unregistered person.

- (2) The amount of consumption tax payable in respect of a taxable supply, taxable import, or reverse charged supply shall be calculated by applying the rate specified in subsection (3) to the value of the supply or import.
- (3) The rate of consumption tax is:
  - (a) in the case of a taxable supply that is a zero-rated supply, 0%;  
or
  - (b) in any other case, 12%.

### **§8. Person Liable to Account for Consumption Tax**

- (1) The liability for consumption tax on a taxable supply arises at the time of the supply and shall be accounted for to the Secretary by the registered person making the supply in accordance with section 45(1).
- (2) Notwithstanding anything contained in any law, the consumption tax payable by a registered person in respect of a taxable supply made by the person shall be recoverable by the person from the recipient of the supply.
- (3) The liability for consumption tax imposed on a taxable import arises at the time of the import and shall be payable by the importer in accordance with section 35(3).
- (4) The liability for consumption tax on a reverse charged supply arises at the time of the supply and shall be accounted for to the Secretary by the registered person or large unregistered person receiving the supply in accordance with section 35(1) or (2), as the case may be.

### **§9. Exempt Imports**

- (1) An import shall be an exempt import where:
  - (a) the import is specified in Schedule 1; or
  - (b) the import would be an exempt supply under section 10 and a zero-rated supply under section 11 if it were instead a supply of goods in the Republic.

### **§10. Exempt Supplies**

- (1) A supply specified in Schedule 2 shall be an exempt supply.

- (2) A supply that is both an exempt supply under Schedule 2 and a zero-rated supply under Schedule 3 shall be treated only as a zero-rated supply for the purposes of this Act.

### **§11. Zero-rated Supplies**

- (1) A supply specified in Schedule 3 shall be a zero-rated supply.
- (2) A registered person treating a supply as a zero-rated export shall obtain and retain such documentary evidence as is acceptable to the Secretary substantiating the person's entitlement to treat the supply as a zero-rated export.

## **PART III – REGISTRATION**

### **§12. Application for Compulsory Registration**

- (1) A person shall apply to the Secretary for compulsory registration for consumption tax:
  - (a) at the beginning of any twelve (12) month period, if there are reasonable grounds to expect that the total value of taxable supplies made by the person in that period will be equal to or greater than the registration threshold;
  - (b) at the end of any twelve (12) month or lesser period, if, in that period, the total value of taxable supplies made by the person was equal to or greater than the registration threshold; or
  - (c) if the person is a government entity or state owned enterprise that has commenced to make taxable supplies.
- (2) The registration threshold is \$300,000.
- (3) In determining whether a person exceeds the registration threshold for a period, the value of the following taxable supplies shall be ignored:
  - (a) a taxable supply by way of the sale by the person of a capital asset of the enterprise of the person;
  - (b) a taxable supply made solely as a consequence of the person selling the whole or a part of the person's enterprise or permanently ceasing to carry on the person's enterprise, but

not where the person's business involves buying and selling enterprises.

- (4) In determining whether a person exceeds the registration threshold, the Secretary may have regard to the value of taxable supplies made by an associate of the person.
- (5) An application for compulsory registration by a person under this section shall be in the approved form and filed with the Secretary within seven days of the person becoming required to apply for registration.

### **§13. Application for Voluntary Registration**

- (1) Subject to subsection (2), a person who makes or intends to make taxable supplies, but who is not required to apply for compulsory registration under section 12, may apply, in the approved form, to the Secretary, for voluntary registration.
- (2) A person may apply for voluntary registration only if the annual value of taxable supplies made or intended to be made by the person exceeds \$10,000.

### **§14. Registration**

- (1) The Secretary shall register a person who has applied for compulsory registration under section 12 if satisfied that the person is required to apply for registration under that section.
- (2) If the Secretary is satisfied that a person who is required to apply for compulsory registration has not done so within the time limit specified in section 12, the Secretary shall register the person.
- (3) The Secretary shall register a person who has applied for voluntary registration under section 13 if satisfied that:
  - (a) the person is making, or intends to make taxable supplies;
  - (b) the annual value of taxable supplies made, or intended to be made, by the person exceeds the amount specified in section 13(2);
  - (c) the person has a fixed place of business from which the person's enterprise is carried on or the person carries on their enterprise through a website or social media account;

- (d) if the person has commenced carrying on an enterprise, the person has:
    - (i) kept proper records of the activities of the enterprise; and
    - (ii) complied with their obligations under other tax laws; and
  - (e) there are reasonable grounds to believe that the person will keep proper records and file regular and reliable consumption tax returns.
- (4) The Secretary shall issue a registered person with a consumption tax registration certificate in the approved form.
  - (5) The registration of a person under subsection (1) or (2) shall take effect from the beginning of the first CT period after the person was required to apply for registration or such later time as set out in the person's consumption tax registration certificate.
  - (6) The registration of a person under subsection (3) shall take effect from the date set out in the person's consumption tax registration certificate.

## **§15. Obligations of a Registered Person**

- (1) A registered person carrying on an enterprise at physical premises shall display in a conspicuous place:
  - (a) the original copy of its consumption tax registration certificate at the principal place at which the person carries on its enterprise; and
  - (b) a certified copy of the certificate obtained from the Secretary at every other place at which the person carries on its enterprise.
- (2) A registered person must specify their consumption tax registration details on any website or social media account through which the person carries on their enterprise.
- (3) A registered person shall notify the Secretary, in writing, of a change to any of the following:
  - (a) the phone, facsimile, physical address, electronic mail address, or other contact details of the registered person;

- (b) the place or places through which the registered person carries on their enterprise, including the opening or closing of new branches or divisions, or a change in the person's internet address or social media account;
  - (c) the details of the registered person's account with a bank or other financial institution;
  - (d) the nature of the enterprise of the person; and
  - (e) any other matter as prescribed in the Regulations.
- (4) A notification under subsection (3) shall be lodged with the Secretary within 21 days of the change occurring.

## **§16. Cancellation of Registration**

- (1) A registered person who ceases to make taxable supplies shall apply to the Secretary, in the approved form, for cancellation of the person's registration within seven days of the date on which the person ceased to make taxable supplies.
- (2) A registered person who continues to make taxable supplies but the annual value of those supplies does not exceed the registration threshold, may apply to the Secretary, in the approved form, for cancellation of the person's registration.
- (3) The Secretary shall, by notice in writing, cancel the registration of a person where:
  - (a) the person has applied for cancellation under subsection (1) and the Secretary is satisfied that the person has ceased to make taxable supplies; or
  - (b) the person has not applied for cancellation but the Secretary is satisfied that the person has ceased to make taxable supplies and is not otherwise required to be registered.
- (4) If a person applies for cancellation of registration under subsection (2) and the Secretary is satisfied that the person is not required to be registered:
  - (a) if the person has been registered for a period of more than twelve months, the Secretary shall, by notice in writing, cancel the registration of the person; or

- (b) if the person has been registered for a period of twelve months or less, the Secretary may, by notice in writing, cancel the registration of the person if satisfied that it is appropriate to do so.
- (5) The Secretary may, by notice in writing, cancel the registration of a person who is not required to be registered, if the Secretary is satisfied that:
  - (a) the person has not kept proper consumption tax records or not provided proper consumption tax documentation as required under this Chapter;
  - (b) the person has not furnished regular and reliable consumption tax returns; or
  - (c) the person has not complied with its obligations under other tax laws, and there are reasonable grounds to believe that the person will not keep proper consumption tax records or furnish regular and reliable consumption tax returns.
- (6) The cancellation of a person's registration shall take effect from the date set out in the notice of cancellation.

### **§17. Obligations of a Person on Cancellation of Registration**

- (1) If a person's registration is cancelled under section 16, the person shall:
  - (a) immediately cease to hold out that the person is a registered person, including on any documentation used by the person;
  - (b) file a final consumption tax return and pay all consumption tax due, including the consumption due as a result of the application of section 18, within 15 days after the date of cancellation of the person's registration; and
  - (c) immediately return the person's consumption tax registration certificate and any certified copies thereof to the Secretary.
- (2) Notwithstanding the cancellation of registration of a person under this section, the person shall be liable for any act done or omitted to be done while registered.

**§18. Deemed Taxable Supply on Cancellation of Registration**

- (1) A person whose registration is cancelled shall be deemed to have made a taxable supply of any inventory on hand at the time the registration is cancelled but only if the person was allowed an input tax credit in respect of the acquisition or import of the inventory, or in respect of the acquisition or import of goods that have been subsumed into that inventory.
- (2) The taxable supply under subsection (1) shall be deemed to have been made by the person immediately before the person's registration is cancelled and the person shall be deemed to have received, at that time, an amount of output tax equal to the amount of the input tax credit allowed to the person on acquisition or import of the inventory, or of goods subsumed into inventory.

**PART IV – RULES RELATING TO SUPPLIES**

**§19. Mixed Supplies**

- (1) This section applies where a supplier has entered into a transaction (referred to as a mixed supply) that has multiple elements some of which have a different consumption tax treatment.
- (2) Unless the context otherwise requires, where a supplier has entered into a mixed supply, a supply of a particular kind that is ancillary or incidental to a supply of another kind ("the principal supply") shall be treated as part of the principal supply.
- (3) A supply of services that is ancillary or incidental to an import of goods shall be treated as part of the import of goods.
- (4) The sale of goods under a lease purchase agreement shall be treated as a supply of goods and a supply of credit under the agreement provided the credit is specified as a separate charge and is disclosed to the recipient of the supply.

**§20. Time of Supply**

- (1) Subject to this Act, a supply shall occur on the earlier of:
  - (a) the date on which the invoice for the supply is issued; or

- (b) the date on which any payment (including part payment) for the supply is made.
- (2) A supply between associates or by way of a gift shall occur:
  - (a) in the case of goods, on the date the goods are delivered; or
  - (b) in the case of services, on the date the performance of the services is complete.
- (3) Subject to subsection (4), a supply of goods by means of a vending machine, meter, or other device operated by a coin, note, or token occurs on the date the coin, note, or token is taken from the machine, meter, or other device by or on behalf of the supplier.
- (4) Subsection (3) does not apply where the machine, meter, other device provides real time data of supplies to the supplier.
- (5) A periodic supply:
  - (a) shall be treated as a series of separate, successive supplies corresponding to the successive parts of the period of the lease or agreement, or as determined by law, as the case may be; and
  - (b) each successive supply shall be treated as occurring on the earlier of the date on which the payment for that successive supply is due or received.
- (6) In this section, “periodic supply” means:
  - (a) a supply of goods under a lease purchase agreement;
  - (b) a supply of services by way of a lease of goods not covered by paragraph (a); and
  - (c) a supply of services made progressively under an agreement or law that provides for periodic payments.

## **§21. Supply of Goods in the Republic**

- (1) A supply of goods that involves transportation occurs in the Republic if the goods are in the Republic when the transportation commences.
- (2) A supply of goods that does not involve transportation occurs in the Republic if the goods are delivered or made available to the recipient in the Republic by the supplier.

**§22. Electronically Ordered Low Value Imported Goods**

- (1) A supply of electronically ordered goods by a person carrying on an enterprise outside the Republic and who does not have fixed place of business in the Republic occurs in the Republic where the following conditions are satisfied:
  - (a) the supplier delivers, or procures, arranges, or facilitates the delivery of the
  - (b) if the supply is made through an electronic interface, the operator of the interface does any of the following:
    - (i) authorizes the charge for the supply to the recipient;
    - (ii) makes or authorizes delivery of the supply to the recipient; or
    - (iii) directly or indirectly sets a term or condition under which the supply is made;
  - (c) the exemption from import duty for low value imported goods applies to the goods; and
  - (d) the goods are not subject to excise tax under the *Excise Tax Act, 2025*.
- (2) Where subsection (1)(b) applies, the operator of the electronic interface is treated as having made the supply of goods unless the supplier is a registered person.
- (3) Where subsection (1) applies and the supplier or operator of an electronic interface has collected consumption tax from the recipient of the supply in advance of the import of the goods, the import of the goods is not a taxable import.

**§23. Supply of Services in the Republic**

- (1) A supply of services occurs in the Republic if the place of business of the supplier from which the services are supplied is in the Republic.
- (2) Notwithstanding subsection (1), a supply of services, other than a reverse charged supply, by a person who carries on business outside the Republic and who does not have a fixed place of business in the Republic occurs in the Republic if any of the following applies in relation to the supply:

- (a) the services are physically performed in the Republic by a person who is in the Republic at the time of supply;
- (b) the services are directly related to immovable property in the Republic;
- (c) the services are a supply of an inbound tourism product, or agency or booking services relating to a supply of an inbound tourism product;
- (d) the services are radio or television broadcasting services received at an address in the Republic;
- (e) the services are telecommunications services that can be used only in the Republic; or
- (f) except where paragraph (e) applies, the services are telecommunications services where the mobile country code of the international mobile subscriber identity stored on the subscriber identity modular card is that of the Republic.

#### **§24. Supply of Digital services by Foreign Suppliers**

- (1) A supply of digital services, other than a reverse charged supply, by a person who carries on business outside the Republic and who does not have a fixed place of business in the Republic occurs in the Republic if the services are supplied to a resident of the Republic.
- (2) For the purposes of subsection (1), a recipient of a supply of digital services is treated as a resident of the Republic if at least two of the following apply:
  - (a) the recipient's address is in the Republic;
  - (b) the recipient's bank account is in the Republic, including the account the recipient uses for payment, or the recipient's billing address held by the bank;
  - (c) the internet protocol address of the device used by the recipient or another geolocation method is in the Republic;
  - (d) the mobile country code of the international mobile subscriber identity stored on the subscriber identity module card used by the recipient is in the Republic;
  - (e) the recipient's fixed land line through which the service is supplied to the recipient is in the Republic; and

- (f) any other commercially relevant information indicates that the recipient is resident in the Republic.
- (3) If there are two factors on the list in subsection (2) supporting that the recipient is a resident of the Republic and two factors supporting residence in another country, the supplier must determine the recipient's residence based on the factors that, in the circumstances, are the most reliable indicators of the recipient's residence.
- (4) The factors in subsection (3) are listed in order of reliability starting with the most reliable.
- (5) Having established that the recipient of a supply is a resident of the Republic, a supplier can treat the supply as a reverse charged supply only where the recipient has provided the supplier with documentary evidence that they are a registered person.

## **§25. Supply of Digital Services Made Through an Electronic Interface**

- (1) The operator of an electronic interface shall be treated as the supplier of digital services where the following conditions are satisfied:
  - (a) a person (referred to as the "underlying supplier") makes a supply of digital services through the electronic interface;
  - (b) the electronic interface is operated by a person (referred to as the "operator") who does not have a fixed place of business in the Republic;
  - (c) the operator does any of the following:
    - (i) authorizes the charge for the supply to the recipient;
    - (ii) makes or authorizes the delivery of the supply to the recipient; or
    - (iii) directly or indirectly sets a term or condition under which the supply is made; and
  - (d) the recipient of the supply is a resident of the Republic as determined under section 24; and
  - (e) neither the underlying supplier nor the recipient are a registered person.

**§26. Value of a Supply**

- (1) Subject to this Chapter, the value of a supply is the consideration for the supply.
- (2) The value of a supply between associates shall be the fair market value of the supply determined at the time of the supply.
- (3) Except as provided in this Chapter, the value of a supply for no consideration shall be zero.
- (4) If a taxable supply is made by a registered person without a separate amount being identified as consumption tax, the value of the supply shall be calculated according to the following formula:

$$A - (A \times B)$$

where:

**A** is the total amount charged for the supply; and

**B** is the tax fraction.

- (5) Where subsection (4) applies to a taxable supply made by a registered person to another registered person, the input tax payable by the registered person receiving the supply is calculated based on the value of the supply determined under subsection (4).
- (6) For the purposes of subsection (4), the "tax fraction" is calculated according to the following formula:

$$r / (1+r)$$

where **r** is the rate of consumption tax applicable to the supply as determined under section 7.

**§27. Deemed Taxable Supply on Application of Goods to Private or Exempt Use**

- (1) An application of goods by a registered person to a private or exempt use shall be deemed to be a taxable supply made by the person, but only if the person has been allowed an input tax credit in respect of the acquisition of the goods.
- (2) A taxable supply under subsection (1) shall be deemed to have been made by the person at the time that the goods are first applied to private or exempt use and the person shall be deemed to have received, at that time, an amount of output tax equal to the amount of

input tax credit allowed to the person in respect of the acquisition or import of the goods.

**PART V – RULES RELATING TO IMPORTS**

**§28. Time of Import**

An import of goods shall occur:

- (a) if the goods are entered for home consumption under the Customs legislation, on the date on which they are so entered; or
- (b) in any other case, on the date the goods are brought into the Republic.

**§29. Value of Import**

- (1) Subject to subsection (2), the value of an import of goods shall be the sum of the following amounts:
  - (a) the value of the goods for the purposes of import duty under the Customs legislation, whether or not any duty is payable on the import;
  - (b) to the extent not included under paragraph (a):
    - (i) the cost of insurance and freight incurred in bringing the goods to the Republic; and
    - (ii) the cost of services treated as part of the import of the goods under section 19(3);
  - (c) the amount of any import duty, levy, or other fiscal charge (other than consumption tax), or any fee or other charge payable in respect of the import.
- (2) If goods are re-imported after being exported for the purpose of undergoing repair, renovation, or improvement, the value of the import shall be limited to the amount of the increase in value of the goods as a result of the repair, renovation, or improvement provided:
  - (a) the goods have the same form and character as they had at the time of export; and
  - (b) there is no change in the ownership of the goods since the goods were exported.

**PART VI – INPUT TAX CREDITS****§30. Allowance of an Input Tax Credit**

(1) Subject to this ~~Act~~ Chapter, a registered person shall be allowed a credit for the input tax paid on a creditable acquisition by the person to the extent that the acquisition was for the purpose of making taxable supplies as determined at the time of the acquisition.

(2) The input tax credit allowed to a registered person for creditable acquisitions made by the person during a CT period partly to make taxable supplies and partly to make exempt supplies shall be calculated according to the following formula:

$$A \times B/c$$

where:

**A** is the total amount of input tax paid in respect of creditable acquisitions made by the registered person during the CT period partly to make taxable supplies and partly to make exempt supplies;

**B** is the total value of taxable supplies made by the registered person during the CT period; and

**C** is the total value of taxable and exempt supplies made by the registered person during the CT period.

(3) Subject to subsection (4), an input tax credit shall be allowed in the CT period in which the input tax is paid.

(4) If, at the time a registered person furnishes a consumption tax return for a CT period in which an input tax credit would otherwise be allowable under this Chapter, the person does not hold the documentation referred to in section 31, the input tax credit shall not be allowed in that CT period but instead shall be allowed in the first CT period in which the person holds such documentation.

(5) Where, for whatever reason, a registered person fails to claim an input tax credit in the consumption tax return for the CT period in which the credit arises, the registered person can claim the credit in the consumption tax return for a subsequent CT period within 6 months after the CT period in which the credit arose.

- (6) An input tax credit that is not claimed within the period specified in subsection (5) lapses.

### **§31. Input Tax Credit Documentation**

- (1) The documentation required for the purposes of section 30(4) is:
- (a) for a creditable acquisition that is a taxable import, a bill of entry or other document prescribed under the Customs legislation for the import;
  - (b) for a creditable acquisition that is a taxable supply, the tax invoice for the taxable supply to which the acquisition relates;
  - (c) for a creditable acquisition that is a reverse charged supply, the recipient created tax invoice for the supply; or
  - (d) for an input tax credit allowed as a result of an adjustment event, the debit note supporting the claim for the credit.
- (2) Where a registered person does not have the documentation required under subsection (1) to support an input tax credit, the Secretary may, on application by the registered person, allow the input tax credit if satisfied of the following:
- (a) the registered person took all reasonable steps to acquire the documentation;
  - (b) the failure to acquire the documentation was not the fault of the registered person; and
  - (c) the registered person can verify the amount of input tax claimed.

### **§32. Denial of Input Tax Credit**

- (1) A registered person shall be denied a credit for input tax paid in respect of the following:
- (a) a creditable acquisition by the registered person to the extent that the acquisition is acquired for the purposes of entertainment or to provide entertainment other than:
    - (i) entertainment to be provided in the ordinary course of carrying on an enterprise of providing entertainment;
    - (ii) the entertainment is food and beverages provided while the recipient of the entertainment is away from home

- for the purposes of the enterprise of the recipient or the recipient's employer; or
- (iii) the entertainment is food and beverages provided to employees in a canteen, cafeteria or similar premises operated by, or on behalf of, the registered person solely for the benefit of employees and made available to employees generally; or
- (b) a creditable acquisition by the registered person of membership for the person or any other person of a club, association, or society of a sporting, social, or recreational nature.
- (2) A registered person whose principal place of business is outside the Republic and who does not carry on their enterprise through a fixed place of business in the Republic shall not be allowed any input tax credits in relation to the making of taxable supplies.
- (3) In this section, "entertainment" means the provision of food, beverages, recreation, or hospitality of any kind.

### **§33. Input Tax Credit for Newly Registered Person**

- (1) Subject to this Chapter, a newly registered person may claim a credit for the input tax paid in respect of inventory held at the date of registration for the purpose of making taxable supplies, where:
- (a) the inventory was acquired by the person in a taxable import or a taxable supply made to the person by a registered person;
- (b) the acquisition occurred no more than four months prior to the date of registration; and
- (c) the person can provide a tax invoice or other documentary evidence satisfactory to the Secretary that input tax has been paid on the acquisition of the inventory.
- (2) An input tax credit under subsection (1) is allowed in the first CT period after the person is registered,
- (3) Sections 30(4) and 31 shall not apply for the purposes of an input tax credit allowed under this section.

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**PART VII – POST-SUPPLY ADJUSTMENTS****§34. Adjustment Events**

- (1) This section shall apply for the purposes of sections 35 and 36.
- (2) The following are adjustment events in relation to a supply:
  - (a) the cancellation of a supply;
  - (b) a fundamental alteration in the nature of a supply;
  - (c) a change in the consideration for a supply;
  - (d) for a supply of goods, the return of goods (or part thereof) to the supplier; and
  - (e) any other event that results in a change in the consumption tax treatment of the supply.

**§35. Adjustment Event Resulting in Consumption Tax Being Under-charged**

- (1) An adjustment shall be made in accordance with this section where an adjustment event occurs in relation to a supply made by a registered person and, as a result of the adjustment event, the registered person has under-charged consumption tax in relation to the supply.
- (2) For the supplier, the adjustment is achieved by requiring the supplier to treat the under-charged amount of consumption tax as output tax received by the supplier in the CT period in which the adjustment event occurred.
- (3) If the recipient of the supply is a registered person:
  - (a) the supplier shall issue the recipient with a debit note specifying the amount by which the consumption tax payable in respect of the supply is increased;
  - (b) the recipient shall be allowed an input tax credit for the additional consumption tax to the extent that the recipient has used the supply to make taxable supplies and the credit is not denied under section 32; and
  - (c) the recipient is allowed the input tax credit referred to in paragraph (b) in the CT period in which the debit note is received.

**§36. Adjustment Event Resulting in Consumption Tax Being Over-charged**

- (1) An adjustment shall be made in accordance with this section where an adjustment event occurs in relation to a supply made by a registered person and, as a result of the adjustment event, the registered person has over-charged consumption tax in relation to the supply.
- (2) For the supplier, the consumption tax adjustment is achieved by allowing the supplier an input tax credit for the over-charged amount of consumption tax in the CT period in which the adjustment event occurred.
- (3) If the recipient of a supply to which subsection (2) applies is not a registered person, no input tax credit shall be allowed under that subsection until the supplier has repaid the excess consumption tax to the recipient of the supply, whether in cash or as a credit against any amount owing to the supplier by the recipient.
- (4) If the recipient of the supply is a registered person:
  - (a) the supplier shall provide the recipient with a credit note specifying the amount by which the consumption tax payable in respect of the supply is reduced; and
  - (b) the recipient shall treat the amount specified in paragraph (a) as output tax for the CT period in which the recipient received the credit note.

**PART VIII – CONSUMPTION TAX CALCULATION AND REFUNDS****§37. Net Consumption Tax Payable for a CT Period**

- (1) The consumption tax payable by a registered person for a CT period is a net amount after taking account of input tax credits allowed to the person for the period.
- (2) The net consumption tax payable by a registered person for a CT period shall be calculated according to the following formula:

$$(A + B) - C$$

where:

- A is the total output tax received or deemed to have been received by the person in the CT period;
- B is the total reverse charged consumption tax that the registered person is liable for in respect of reversed charged supplies received by the person during the CT period; and
- C is the total input tax credit allowed to the person for the period.

### §38. Refunds

- (1) Subject to subsection (3), if, for any CT period of a registered person, component "C" of the formula in section 37 exceeds component "(A + B)" for the period:
  - (a) the excess shall be carried forward and allowed as an input tax credit in the following CT period and any amount of the excess not credited in that period shall be carried forward to the next following CT period and allowed as an input tax credit in that period; and
  - (b) any amount of the excess not credited under paragraph (a) shall, upon written application by the person, be refunded to the person in accordance with the Tax Administration Act.
- (2) A written application for a refund under Subsection (1)(b) shall be lodged with the Secretary within 6 months after the end of the carry forward period.
- (3) Where a registered person fails to lodge an application for a refund within the time limit specified in subsection (2), the right to the refund shall lapse.
- (4) If a registered person has an excess input tax credit carried forward under this section for more than one CT period, the excess credit of the earliest CT period shall be allowed first.
- (5) If the excess referred to in subsection (1) for a CT period is due to excess input tax credits that are a regular feature of the registered person's enterprise, the Secretary shall refund the excess within 45 days after the person has filed the consumption tax return for the period.

**PART IX – CONSUMPTION TAX DOCUMENTATION****§39. Tax invoices**

- (1) A registered person making a taxable supply shall, at the time of the supply, issue the recipient with the original tax invoice for the supply.
- (2) A registered person liable for reverse charged consumption tax in respect of a reverse charged supply made to the person shall, at the time of the supply, prepare a recipient-created tax invoice for the supply.
- (3) The Regulations:
  - (a) shall set out the particulars required to be included on a tax invoice and recipient-created tax invoice; and
  - (b) may provide for the issuing of tax invoices electronically.

**§40. Credit and Debit Notes**

- (1) A registered person shall issue credit and debit notes to registered persons as required under Part VII.
- (2) A credit or debit note must be issued in the CT period in which the adjustment event to which the note relates occurred.
- (3) The Regulations:
  - (a) shall set out the particulars required to be included on credit and debit notes; and
  - (b) may provide for the issuing of credit and debit notes electronically.

**§41. Consumption Tax Documentation Issued by or to Agents**

- (1) If a taxable supply is made by or to an agent on behalf of a principal and both the agent and principal are registered persons, any tax invoice, credit note, or debit note required to be issued by or to the principal may be issued by or to the agent, using the name, address, and taxpayer identification number of the agent.

- (2) If a taxable supply is made by or to an agent on behalf of a principal and the principal is a registered person but the agent is not, any tax invoice, credit note, or debit note required to be issued by or to the principal may be issued by or to the agent, but using the name, address, and taxpayer identification number of the principal.
- (3) If a taxable supply is made by or to an agent on behalf of a principal, any tax invoice, credit note, or debit note required to be issued under this Act shall be issued once only and shall not be issued by or to both the agent and the principal.
- (4) A tax invoice, credit note, or debit note issued by or to an agent in accordance with this section shall be treated as issued by or to the principal, as the case may be, for the purposes of this Chapter and Tax Administration Act.

#### **§42. Requests for Consumption Tax Documentation**

- (1) A registered person who, for any reason, has not been issued with an original tax invoice, credit note, or debit note as required under this Chapter may make a written request to the supplier to issue the document.
- (2) A request under subsection (1) shall be made:
  - (a) for a tax invoice, within sixty (60) days after the time of the supply; or
  - (b) for a credit note or debit note, within sixty (60) days after the date of the adjustment event to which the credit note or debit note relates.
- (3) A registered person receiving a request under subsection (1) shall comply with the request within fourteen (14) days of receiving the request.

#### **§43. Maintenance of Consumption Tax Documentation**

- (1) A registered person shall issue only one original tax invoice for a taxable supply, or one original credit note or debit note for an adjustment event, but a copy clearly marked as such may be provided to a registered person who claims to have lost the original.
- (2) A person shall not issue a tax invoice, credit note, or debit note other than in the circumstances specified in this Chapter.

- (3) The following documents shall be maintained by a registered person for the purposes of this Chapter:
  - (a) original (or copies issued under subsection (1)) of all tax invoices, credit notes, and debit notes received by the person;
  - (b) a copy of all tax invoices, credit notes, and debit notes issued by the person;
  - (c) documentation relating to imports and exports of goods by the person; and
  - (d) any recipient-created tax invoices in respect of reverse charged supplies made to the person.
- (4) The documents referred to in subsection (3)(b) shall be maintained in chronological order.

## **PART X –PROCEDURE**

### **§44. Application of the Tax Administration Act**

The Tax Administration Act shall apply for the purposes of the administration of this Chapter but subject to this Part.

### **§45. Consumption Tax Returns and Liability Notices**

- (1) A registered person shall file a consumption tax return with the Secretary for each CT period within 21 days after the end of the period.
- (2) A large unregistered person liable for consumption tax in respect of a reverse charged supply made to the person during a month shall file a liability notice with the Secretary specifying the reverse charged consumption tax liability for the month within 21 days after the end of the month.

### **§46. Due Date for Payment of Tax**

- (1) A registered person shall pay the net consumption tax payable for a CT period, as calculated under section 37, by the due date for filing the consumption tax return for the period.

- (2) A large unregistered person shall pay the reverse charged consumption tax for a month by the due date for filing the liability notice for the month.
- (3) The consumption tax payable by an importer in respect of a taxable import shall be payable at the time of the import.

#### §47. Collection of Consumption Tax on Imports

- (1) The Secretary:
  - (a) shall collect consumption tax payable under this Chapter on an import of goods at the time of import; and
  - (b) may make arrangements for such functions to be performed on behalf of the Secretary by the Postmaster General in respect of imports through the postal service.
- (2) The provisions of the Customs legislation relating to the payment and recovery of duty, in so far as relevant and with such exceptions and modifications as necessary, shall apply in relation to consumption tax payable on a taxable import.
- (3) For the purposes of this section, the Secretary may exercise any power conferred on the Secretary by the Customs legislation as if the reference to import duty in that legislation included a reference to consumption tax payable on a taxable import under this Chapter.
- (4) In this section, "Postmaster General" means the Postmaster General appointed under the *Postal Service Act 1983*.

#### §48. Compliance by Foreign Service Providers

- (1) Subject to subsection (2), the Secretary may require a registered person who does not carry on an enterprise through a fixed place of business in the Republic to lodge security with the Secretary in accordance with the Tax Administration Act.
- (2) Subsection (1) shall apply only where the Secretary has reasonable grounds to believe that the person will not comply with their obligations under this Chapter.
- (3) If a person who has lodged security under subsection (1) fails to comply with their obligations under this Chapter, the Secretary may

require the person to appoint a consumption tax representative in the Republic.

- (4) The consumption tax representative shall be responsible for doing all things required under this Chapter to be done by the person they represent, including applying for registration, the filing of consumption tax returns, and the payment of consumption tax.
- (5) The registration of a consumption tax representative shall be in the name, and under the registration, of the person they represent.
- (6) A person may be a consumption tax representative for more than one person but shall have a separate registration for each person they represent.
- (7) The Secretary may prescribe the mode, manner, and requirements for appointment of a consumption tax representative and the responsibilities of the representative.

#### **§49. Assessment of Recipient of a Supply**

- (1) If a registered person has, in consequence of misrepresentation or fraud by the recipient of a supply, incorrectly treated the supply as:
  - (a) an exempt supply;
  - (b) a zero-rated supply; or
  - (c) not otherwise subject consumption tax,

the Secretary may assess the recipient of the supply for payment of the consumption tax due in respect of the supply, and any late payment interest and penalty imposed as a result of the late payment of the consumption tax.

- (2) The Secretary shall serve notice of an assessment under subsection (1) on the recipient specifying the following:
  - (a) the reason for the assessment as provided for in subsection (1);
  - (b) the consumption tax payable under the assessment;
  - (c) the date on which the consumption tax payable under the assessment is due, which must be at least thirty days after the date on which the notice is served;
  - (d) the time, place, and manner of objecting to the assessment.

- (3) Subsection (1) shall not preclude the Secretary from recovering the whole or part of the consumption tax due in respect of the supply together with any late payment interest and penalty from the registered person who made the supply and:
  - (a) any amount recovered from the recipient of the supply is credited against the liability of the supplier in respect of the supply; and
  - (b) any amount recovered from the supplier is credited against the liability of the recipient of the supply under this section, but the Secretary shall not recover more than the total amount of consumption tax, late payment interest, and penalty payable in relation to the supply.
- (4) Any supplier who pays consumption tax, late payment interest, or penalty referred to in subsection (1) may recover the amount from the recipient of the supply.
- (5) Nothing in the Tax Administration Act limits the power of the Secretary to amend an assessment, including a self-assessment, of the registered person making a supply to which this section applies so as to give effect to subsection (3).

**§50. Diplomats, Diplomatic Missions, and International Organizations**

- (1) The Secretary shall provide consumption tax relief to a diplomatic or consular mission, a diplomat or consular official, or an international organization to the extent provided for under local law or an international agreement.
- (2) The mechanics for providing consumption tax relief referred to in subsection (1) shall be provided for in the Regulations.

**PART XI – MISCELLANEOUS PROVISIONS**

**§51 Branches and Divisions**

- (1) Subject to subsection (3), an enterprise carried on by a person in branches or divisions shall be treated as a single enterprise for the purposes of this Chapter.

- (2) Subject to subsection (3), a person who conducts an enterprise in branches or divisions shall be registered in the name of the person and not in the names of the branches or divisions.
- (3) A government entity may register its branches or divisions separately as if they were separate persons for the purposes of this Chapter.

## §52. Tax Avoidance Schemes

- (1) Notwithstanding anything in this Chapter, if the Secretary is satisfied that:
  - (a) a scheme has been entered into or carried out;
  - (b) a person has obtained a tax benefit in connection with the avoidance scheme; and
  - (c) having regard to the substance of the tax avoidance scheme, it would be concluded that a person, or one of the persons, who entered into or carried out the scheme did so for the sole or dominant purpose of enabling the person referred to in paragraph (b) to obtain the tax benefit, the Secretary may determine the consumption tax liability of the person who obtained the tax benefit, and any other person connected with the scheme, as if the scheme had not been entered into or carried out, or on some other basis as in the circumstances the Secretary considers appropriate for the prevention or, or reduction in, the tax benefit.
- (2) The Secretary shall serve a notice of a tax assessment on any person whose tax liability is adjusted as a result of the determination under subsection (1) so as to give effect to the determination.
- (3) A notice of tax assessment under subsection (2) shall be served on a person within three years from the last day of the CT period to which the determination relates.
- (4) In this section:

“scheme” includes:

  - (a) an agreement, arrangement, or promise, whether express or implied, and whether or not legally enforceable; and

- (b) any undertaking, plan, proposal, course of action, or course of conduct whether undertaken unilaterally or by 2 or more persons; and

“tax benefit” means –

- (a) a reduction in the liability of a person to pay consumption tax;
- (b) an increase in the entitlement of a person to an input tax credit;
- (c) an entitlement to a refund of consumption tax;
- (d) a postponement of a liability for the payment of consumption tax;
- (e) an acceleration of an entitlement to an input tax credit;
- (f) any other advantage arising because of a delay in payment of consumption tax or an acceleration of the entitlement to an input tax credit;
- (g) anything that causes a taxable supply, taxable import, or reverse charged supply not to be a taxable supply, taxable import, or reverse charged supply, as the case may be; and
- (h) anything that gives rise to an input tax credit entitlement for an acquisition or import that is used or to be used other than in making taxable supplies.

**§53. Currency Translation**

- (1) An amount taken into account under this Chapter shall be expressed in United States dollars.
- (2) Subject to subsection (3), if an amount is expressed in a currency other than United States dollars:
  - (a) for an import of goods, the amount must be translated into United States dollars at the exchange rate applicable under the Customs legislation for the purposes of calculating the duty payable on the import; or
  - (b) for any other case, the amount must be translated into United States dollars at the [United States Federal Reserve] exchange rate applying between the foreign currency and United States dollars on the date the amount is taken into account for the purposes of this Chapter.

- (3) A foreign supplier may elect to translate foreign currency amounts to United States dollars:
  - (a) in accordance with subsection (2)(b);
  - (b) at the exchange rate applicable on the last day of the relevant CT period; or
  - (c) on such other basis as agreed in writing with the Secretary.
- (4) An election made by a foreign supplier under subsection (3) applies to all supplies made by the supplier and the supplier cannot revoke the election until at least one year after making the election unless the Secretary agrees otherwise by notice in writing.
- (5) In this section, “foreign supplier” means a person who is:
  - (a) a supplier of electronically ordered goods to which section 22 applies;
  - (b) a supplier of digital services to section 24 applies
  - (c) an operator of an electronic interface to which section 22 or 25 applies.

#### **§54. Application of this Chapter**

- (1) This Chapter binds the Republic.
- (2) Notwithstanding any other Act or Agreement made before or after the commencement of this Chapter, an exemption from tax in such other Act or Agreement for any person shall not be construed as an exemption from the payment of consumption tax under this Chapter unless the exemption is also provided for in this Chapter.

### **PART XII – FINAL PROVISIONS**

#### **§55. Repeal**

- (1) Subject to subsection (2), the following are hereby repealed:
  - (a) Any and all references to tax” under the, Local Government Taxes and Fees Act 1989; and
  - (b) Income Tax Act, Part XI, Tax on Holiday and Resort Facilities.

- (2) The legislation repealed under subsection (1) shall continue to apply for all purposes whatsoever before the commencement date of this Chapter under section 58(2).

## §56. Regulations

- (1) The Minister may make regulations pursuant to the *Marshall Islands Administrative Procedures Act 1979*:
  - (a) prescribing rules for particular types of supplies and in relation to input tax credits;
  - (b) prescribing forms, fees, or other matters as required under this Chapter;
  - (c) prescribing all matters that are by this Chapter to be prescribed or convenient to be prescribed to give effect to this Chapter; and
  - (d) amending the Schedules.
- (2) Without limiting the general effect of subsection (1), the regulations made under that subsection may:
  - (a) contain provisions of a saving or transitional nature consequent on the making of this Chapter; or
  - (b) prescribe penalties for the contravention of the regulations.

## §57. Transitional Rules Relating to Registration

- (1) A person shall apply to the Secretary for registration under this Chapter if the person satisfies the requirements in section 12 on any day in the transitional registration period.
- (2) An application under subsection (1) shall be made within seven days of the first day of the transitional registration period that section 12 is satisfied.
- (3) Notwithstanding section 12, if a person is required to apply for registration under subsection (1), the registration shall take effect from the commencement date.
- (4) If, prior to the commencement date:
  - (a) a person purported to lodge an application for registration under this Chapter;

- (b) the Secretary purported to register a person under this Chapter; or
  - (c) the Secretary purported to issue a consumption tax registration certificate under this Chapter, the application, registration, or certificate, as applicable, shall be treated for all purposes of this Chapter and the Tax Administration Act as if it were made on the commencement date.
- (5) If the Secretary is satisfied that a person is required to apply for registration under subsection (1) and the person has not applied for registration as required, the Secretary may register that person.
- (6) In this section, “transitional registration period” means the period commencing two calendar months before the commencement date and ending on the day before the commencement date.

#### §58. General Transitional Rules

- (1) Subject to subsection (2), if a registered person concluded a contract before the commencement date, the person shall, after the commencement date, be entitled to recover consumption tax due on a taxable supply made under that contract, notwithstanding that the contract contained no provision relating to increasing the price because of the imposition of consumption tax.
- (2) If the period of a periodic supply referred to in section 20(5) begins before and ends after the commencement date, the supply shall be treated as having been made continuously and uniformly throughout that period and the consideration for that supply is apportioned accordingly.
- (3) Subsection (2) shall not apply to the supply of a warranty in relation to goods or a service if the value of the warranty has been included in the price of the goods or service.
- (4) Subject to subsection (7), if –
- (a) at the end of the last day before the commencement date, a registered person held goods as inventory;
  - (b) the goods were acquired not more than four months before the beginning of that day; and
  - (c) the Secretary is satisfied that the registered person paid import duty on the acquisition of the goods by import, the registered

person may claim an input tax credit for the import duty in the first CT period after the commencement date.

- (5) The input tax credit under subsection (4) shall be allowed before any other input tax credit allowed to the person for the first CT period after the commencement date.
- (6) If the input tax credit allowed under subsection (4) has not been fully credited in the first CT period after the commencement date, the amount that has not been credited shall be dealt with in accordance with section 38(1).
- (7) A registered person shall not be allowed an input tax credit under subsection (4) for any import duty paid in respect of the acquisition of goods by import if the person would not have been allowed an input tax credit if the import had occurred on or after the commencement date.
- (8) A registered person claiming an input tax credit under subsection (4) in relation to inventory on hand at the end of the last day before the commencement date shall submit a list of such inventory, in the approved form, with the person's first consumption tax return, supported by documentary evidence of the payment of import duty in respect of the inventory.

#### **§59. Effective Date**

- (1) This Chapter takes effect on the date of certification in accordance with Article IV of the Constitution and Rules and Procedures of the Nitijela.
- (2) This Chapter applies to supplies and imports made on or after October 1, 2026.

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**CERTIFICATE**

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**I hereby certify:**

1. That Nitijela Bill No: 60ND1 was passed by the Nitijela of the Republic of the Marshall Islands on the 19<sup>th</sup> day of September 2025; and

2. That I am satisfied that Nitijela Bill No: 60ND1 was passed in accordance with the relevant provisions of the Constitution of the Republic of the Marshall Islands and the Rules of Procedures of the Nitijela.

I hereby place my signature before the Clerk this 7<sup>th</sup> day of October 2025.



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**Hon. Brenson S. Wase**  
Speaker  
Nitijela of the Marshall Islands

**Attest:**



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**Morean S. Watak**  
Clerk  
Nitijela of the Marshall Islands



**SCHEDULES****FIRST SCHEDULE – EXEMPT IMPORTS**

- (1) The following goods imported into the Republic are exempt imports:
- (a) an import of goods by a passenger or a member of the crew of a ship or aircraft, being:
    - (i) wearing apparel, personal jewelry, medicinal preparations, and other goods for immediate personal use of the passenger, the member of the crew, or a member of the family of the passenger or crew member and not for resale up to the value of three hundred dollars (US \$300);
    - (ii) not more than three hundred (300) cigarettes, seventy-five (75) cigars, or eight (8) oz. of smoking tobacco, for personal consumption and not for resale;
    - (iii) not more than two (2) liters of distilled alcoholic beverages for personal consumption and not for resale; or
    - (iv) gifts not exceeding three hundred dollars (US \$300) in value;
  - (b) an import of goods as bona fide stores of a ship or aircraft, being goods required for the use of the passengers and crew of the ship or aircraft while on board and while the ship or aircraft is in international traffic in such quantities as approved by the Secretary;
  - (c) an import of goods by a diplomatic or consular mission, or by a diplomat or consular official, or a member of the family of a diplomat or consular official family forming part of their household in the Republic, to the extent provided for in the Diplomatic Privileges and Immunities Act 1988 [MIRC Title 43 Chapter 7];
  - (d) an import of goods by an international organization to the extent provided for in the International Organization Immunities Act 1974 [MIRC Title 43 Chapter 3];
  - (e) an import of goods by a foreign government to the extent provided for in an international agreement; and

(f) an import of goods, if a supply of those goods in the Republic would be an exempt or zero-rated supply

(2) In this Schedule, "international traffic", in relation to a ship or aircraft, means any operation of the ship or aircraft except as between two places in the Republic.

## SECOND SCHEDULE – EXEMPT SUPPLIES

(1) The following supplies are exempt supplies:

- (a) a supply of financial services;
  - (b) a supply of a precious metal;
  - (c) supply of donated goods or services by a non-profit body;
  - (d) a supply by way of sale or long-term lease of residential premises, other than new residential premises;
  - (e) a supply by way of a lease of residential premises, other than a lease for a term of less than 2 months;
  - (f) a supply of holiday or hotel accommodation, if the accommodation is provided to an individual (alone or together with other individuals) who resides therein under terms consistent with a landlord and tenant agreement and for a continuous period of at least 2 months;
  - (g) a supply of unimproved land;
  - (h) a supply of goods subject to excise tax, including goods referred to in paragraph (1)(g) of the Second Schedule of the Marshall Islands Excise Tax Act;
  - (i) a supply of passenger transport services;
  - (j) a supply of goods referred to in section 206A of the Import Duties Act;
- and

(2) In this Schedule:

- a) "donated goods or services", in relation to a non-profit body, means goods or services that are gifted to the body and that are intended for use in carrying out the purposes of the body;
- b) "excise tax" means the excise tax imposed under the *Excise Tax Act 2025*;

- c) "financial services" means:
- (1) the granting, negotiating, and dealing with loans, credit, credit guarantees, and any security for money, including management of loans, credit, or credit guarantees by the grantor;
  - (2) transactions concerning money, deposit and current accounts, payments, transfers, debts, checks, or negotiable instruments, other than debt collection and factoring;
  - (3) transactions relating to financial derivatives, forward contracts, options to acquire financial instruments, and similar arrangements;
  - (4) transactions relating to shares, stocks, bonds, and other securities, other than custody services;
  - (5) the management of investment funds;
  - (6) the provision or transfer of ownership of an insurance contract or the provision of reinsurance in respect of any such contract;
  - (7) the provision, or transfer of ownership, of an interest in a scheme for the payment or granting of benefits by a benefit fund, provident fund, pension fund, retirement annuity fund, or preservation fund;
  - (8) a supply of credit under a lease purchase agreement, if the credit for the goods is provided for as a separate charge and the charge is disclosed to the recipient of the goods; or
  - (9) the arranging of any of the services in paragraphs (a) to (h);
- d) "holiday or hotel accommodation" means:
- (1) a supply of accommodation in a building, part of a building, or a group of buildings (including all structures within the curtilage thereof) that constitute a hotel, motel, inn, boarding house, guest house, hostel, or similar establishment in which lodging is regularly or normally provided to four or more persons at a daily, weekly, monthly, or other periodic charge; or
  - (2) a supply of accommodation not covered by paragraph (a) if the accommodation is held out for use for short term occupation by individuals other than as their main residence;
- e) "lease" includes a license but does not include a long-term lease;
- f) "long-term lease" means a lease for more than 50 years;

- g) “new residential premises” means residential premises that:
- (1) have not previously been sold as residential premises or been the subject of a long-term lease;
  - (2) have been created by a substantial renovation of a building; or
  - (3) have replaced demolished premises on the same land;
- h) “non-profit entity” means a society, association, or organization, whether or not incorporated, that is carried on for charitable or religious purposes and none of the income or assets of which confers, or may confer, a private benefit on any person;
- i) “passenger transport services” means the transportation of passengers in the Republic by a taxi, mini-van, or ferry (including inter-island ferry transportation), other than by a tour or hotel operator;
- j) “precious metal” means:
- (1) gold, in any form, being gold of a fineness of not less than 99.5
  - (2) silver, in any form, being silver of a fineness of not less than 99.9 percent;
  - (3) platinum, in any form, being platinum of a fineness of not less than 99.0 percent; or
  - (4) any other substance that is declared in the regulations to be a precious metal for the purposes of this definition; and
- k) “residential premises” means land or a building occupied or capable of being occupied as a residence but not including hotel or holiday accommodation.

**THIRD SCHEDULE – ZERO-RATED SUPPLIES****PART I - EXPORT**

- (1) Subject to paragraph (2), the following supplies are zero-rated supplies:
- (a) an export of goods;
  - (b) a supply of goods as bona fide stores in such quantities as approved by the Secretary for use by passengers and crew outside the Republic on:
    - (i) an aircraft or ship going to a destination outside the Republic; or
    - (ii) a fishing vessel going outside the Republic's fishery waters;
  - (c) a supply of goods in the course of repairing, renovating, modifying, or treating temporarily imported goods if the goods:
    - (i) are wrought into, affixed to, attached to, or otherwise form part of the temporarily imported goods; or
    - (ii) are consumable stores that become unusable or worthless as a direct result of being used in the repair, renovation, modification, or treatment process;
  - (d) a supply of services directly in connection with temporarily imported goods;
  - (e) a supply of services for use or consumption outside the Republic as evidenced by documentary proof acceptable to the Secretary;
  - (f) a supply of telecommunications services by a telecommunications supplier by a telecommunications supplier in the Republic to a telecommunications supplier outside the Republic who does not have a place of business in the Republic;
  - (g) a supply of international transport services; and
  - (h) a supply of ancillary transport services to a person outside the Republic who does not have a place of business in the Republic for the purposes of their enterprise.
- (2) A supply of goods shall not be a zero-rated supply under paragraph (1)(a) or (b) if the goods have been or will be re-imported into the Republic.
- (3) A supply of services shall not be a zero-rated supply under paragraph (1)(e) where the services: