

## Vision

To be recognized as competent in customs and tax administrations

## Mission

For the good of Vanuatu, collect revenue, protect our borders and facilitate legitimate trade

## Values

- Effective leadership
- Result focus
- Continuous improvement & learning
- Design in quality & prevention
- Partnership improvement
- Valuing employees
- One organization

## Penalties and Enforcement

Flexible Administrative Penalties

Focus on improving general compliance, such as:

- Record Keeping
- Registration for VAT and other Taxes
- Lodgment of returns
- Payment of tax

Criminal penalties apply to offences such as::

- Repeated non compliance:
- Serious offences such as deliberately making false statements:
- Deliberately keeping false records etc.

Consequences for failing to comply with the law can be very costly and can lead to prison.

DCIR is committed to administering the tax laws fairly

For further information contact Inland Revenue office using the details below:

### Department of Customs & Inland Revenue

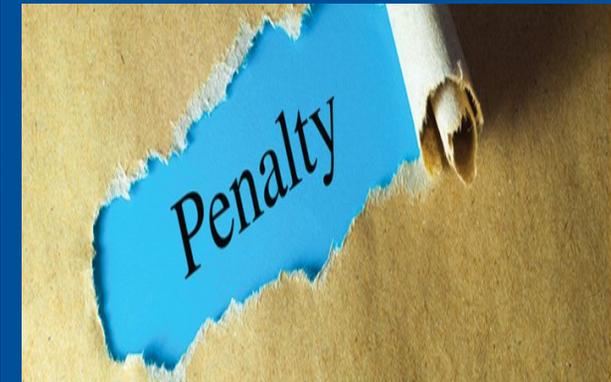
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V A N U A T U  
CUSTOMS & INLAND REVENUE  
SERVICE DE LA DOUANE ET DES  
CONTRIBUTIONS INDIRECTES

# Penalties And Enforcement



## Tax Administration Act

## Penalties and Enforcement

The TAA provides for a comprehensive range of administrative and criminal penalties that can be imposed on taxpayers who fail to comply with the tax laws,

Under the current laws, penalties are imposed by each piece of legislation. This results in complicated provisions that can be difficult to understand and for DCIR to apply.

The TAA sets out the basic principles applicable to the imposition of administrative penalties and prosecution of offences. It also sets out the relationship between penalties and offences.

## Voluntary Compliance

The Government aims to support taxpayers comply with the law encouraging voluntary compliance with those laws, The TAA is designed to achieve this goal by providing for better information to be available to help business understand the law as well as improved dispute and appeal processes to make it easier to settle disputes and clarify how the law operates.

While our goal is to encourage voluntary compliance, the TAA provides for penalties to be imposed where taxpayers fail to meet their obligations.

## Administrative Penalties

The TAA provides that a person cannot be subject to both the imposition of an administrative penalty and the prosecution for an offence for the same act or omission. The imposition of a penalty is an administrative process done by the Director through the assessment procedure. The prosecution of an offence is a criminal process done through the Courts.

If a person is liable to both the imposition of penalty and the prosecution of an offence for the same act or omission—only one can be imposed.

Examples:

- Failure to quote your TIN when required— VT 10,000 per failure.
- Failure to lodge returns – a company, partnership, or trust: VT50,000 and, for an individual, VT30,000. This is in addition to a daily late lodgement penalty.
- Failure to keep and maintain records— if deliberately or recklessly done the penalty is 75% of the tax payable for the tax period to which the failure relates. In any other case and, in the absence of reasonable cause for the failure, the penalty is 20% of the amount of tax payable for the tax period to which the failure relates (subsection (1)(b))

These penalties are intended to punish taxpayers who fail to comply with a tax law . Because they are not imposed through the court system, they can provide a quick and effective way to encourage taxpayers to comply with the law

## Criminal Penalties

If taxpayers fail to comply with their taxation obligations they may be liable to criminal sanctions through the courts.

Seeking to impose criminal sanctions is a very serious step and will only be taken where taxpayers refuse to comply with the law or commit a serious offence such as deliberately making a false statement, obstruct a taxation officer or similar actions.

## Enforcement

The Director of DCIR is committed to helping taxpayers comply with their obligations under the tax laws. However, if taxpayers fail to do so, he is equally committed to fairly and firmly enforcing the law on all taxpayers. Key areas of enforcement will include:

- Failure to register for VAT;
- Failure to keep records
- False statements in returns (eg not declare sales in VAT return)
- Failure to lodge returns on time; and
- Failure to pay tax on time

## Penalties are significant

If convicted of an offence, the penalty imposed by a court may increase depending on whether the person has committed a similar offence in the past.

Example: If a person knowingly fails to declare all sales in a VAT return the person may be liable to:

- First offence - up to 1 million VT fine or 12 months in prison (or both) ; or
- Second or more offence: up to 2 million VT fine or 24 months in prison (or both)

## PLUS

An amount equal to up to 300% of the tax sought to be avoided.

*Please contact our office should you require more information's on any of our brochures*

