



# PARLIAMENT OF THE COOK ISLANDS

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## VALUE ADDED TAX AMENDMENT BILL

### EXPLANATORY NOTE

This note does not form part of the Bill but is intended to indicate its necessity and effect.

This bill amends the Value Added Tax Act 1997 ("the principal Act").

- Clause 1** is the short title and commencement. The amendments are to take effect from 1 July 2005.
- Clause 2** inserts a new section 17A into the Act. This section provides a mechanism for accounting for VAT where there has been a change of an assets use from either private use to business use or vice versa. This section also applies to assets used in exempt activities.
- Clause 3** amends section 43 to recognise that an arrangement may have more than one purpose and that one of those purposes maybe tax avoidance. In which case, the arrangement will be void for tax purposes.