New Caledonia has introduced a general consumption tax (TGC - Taxe Générale sur la Consommation, in French) to replace current import duties and the solidarity tax on services. The TGC is similar procedurally to the European value added tax (VAT) system. The scope and tax base of the TGC are broader than the existing solidarity tax on services, but the TGC provides more neutrality economically (by means of recovery) and greater protection against fraud through the obligation to issue an invoice. The new regulation aims to be more efficient and transparent for companies and is intended to promote investment and exports.

The TGC revises the current obligations of companies and will require attention to some of the key measures outlined below:

- With respect to key dates, there are two periods to consider. The first is a “trial period” between 1 April 2017 and 30 June 2018. The regime enters into force as of 1 July 2018.
- During the “trial period,” there are three general rates and one specific rate of 0.25%, 0.35%, 0.5%, and 1%. When the regime enters into force on 1 July 2018, the potential rates (not published yet) are 3%, 6%, 11%, and 22%. The specific rate to apply from 1 July is subject to further deliberation.
- Under the TGC, there is a new obligation to issue invoices including certain mandatory wording.
There are two assessment approaches for the TGC: exemption and common tax regime.

- Exemption basis (Section Lp. 509 of the CINC - no TGC due).
  - For delivery of goods: turnover of less than 25 million CFP Francs or 30 million the previous calendar year, when the turnover of the penultimate year did not exceed 25 million.
  - For supply of services: turnover of less than 7.5 million CFP Francs or 9 million when the turnover of the penultimate year did not exceed 7.5 million.

- Common tax regime (Section Lp. 510 and s. of the CINC).
  - A TGC monthly declaration is required for turnover greater than 200 million CFP Francs during the preceding year.
  - A TGC quarterly declaration is required for turnover less than 200 million of CFP Francs during the preceding year.

Under the TGC, a taxpayer’s system and accounting software should be set up to automate the application and if possible, the recovery of TGC.

The TGC requires new accounting obligations, namely: (i) the maintenance of a profit and loss statement net of tax; and (ii) the creation of balance sheet accounts for both the input and output TGC.

With respect to the tax audit, under the TGC, the tax authority may reassess the tax liability through the end of the third year following the year in which the tax is due. The tax authority also has a right of investigation (Section Lp. 1001.1 and the following of the CINC).

Though the TGC tax reform is expected to simplify a company’s obligations in the long-term, initially it will trigger important accounting, computing, financial and operational issues (impact on the supply chain) which should be considered from a global perspective.

When implemented on 1 July 2018, the TGC will also modify the level of importation duties paid to the Customs authorities. Future Alerts will report on developments in this area.

Endnote

1. In the law, this is referred to as the “blank period.”
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1508-1600216 NY
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