

Chandrawat
& Partners

Guide to do business in

SAMOA



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ABOUT SAMOA

Located in the central South Pacific Ocean, among the westernmost of the island countries of Polynesia, Samoa is known as the "Cradle of Polynesia". Samoa's capital and main commercial centre is Apia, on the island of Upolu. The country's major trading partners include New Zealand, China, Australia, the United States, and Japan. Food, industrial supplies, machinery, consumer goods, and petroleum products are the main imports of the country. Coconut products, copra, cacao, and beer account for a majority of exports. Samoa's diversified light manufactures include beer, cigarettes, coconut products (mainly creams and oils), corned beef, soap, paint, soft drinks and juices, and handicrafts. Most are produced for local markets. A member of the Commonwealth of Nations, Samoa is a politically stable unitary parliamentary democracy

ADVANTAGES

Economy

Samoa's economic freedom score is 68.3, making its economy the 40th freest in the 2022 Index. Samoa is ranked 7th among 39 countries in the Asia-Pacific region, and its overall score is above the regional and world averages.

Exchange Control

Exchange Control covers the regulation of foreign exchange transactions between Samoa and the rest of the world, including the buying and selling of foreign currency in Samoa. These regulations assist the Central Bank of Samoa to monitor capital inflows and control capital outflows

International tax agreements

Samoa has signed Tax Information Exchange Agreements with Australia, New Zealand and some European countries but there are no double taxation treaties in effect. Tax information of businesses in Samoa can be exchanged based on these agreements.

Trading Across Borders

As an island economy, the cost of trading across borders is relatively cheap. However, the time it takes to move shipments is one of the highest in the world, taking almost a month on average to export and import goods.

Open Market

Samoa has five preferential trade agreements in force. The trade-weighted average tariff rate is 9.3 percent, and one formal non tariff measure is in effect. Other barriers to trade persist, and policies critical to market openness have not advanced. The small and underdeveloped financial sector is dominated by banking, but a significant portion of the population remains unconnected to the formal banking system.

SIMPLE TAX REGIME

1.VAGST

VAGST (value added goods and services tax) is a tax that is added on most goods and services supplied in Samoa by a registered business. It also applies to most imported goods and certain imported services. VAGST of 15% is added to the price of goods and services.

2. Income Tax

Any individual proprietor or entity or legal arrangement carrying out a business in Samoa must register for income tax and declare their income on an annual basis. The following are types of income tax (or simply put, methods of capturing income tax) that are given separate treatments under our Income Tax Act 2012.

Salary and Wage Income Tax

In Samoa income tax (not a separate tax) is imposed directly on employees' salary and wage income earned from employment or from employer. This tax is also referred to as 'pay as you earn' (PAYE) tax and the obligation is placed on the Employer to withhold the correct PAYE tax at applicable progressive tax rates when paying out his/her employee's salary or wage income.

Provisional Tax

This is a requirement for you to pay your income tax payable in advance, which is done in three (3) instalment payments each year.

The amount of provisional tax depends on a person's income tax liability of the previous year, which is then divided by three. If any person's tax liability is less than SAT\$500, you are required to pay the full amount in the first payment which should be in March (rather than in three (3) instalments).

To be continued

- **Withholding tax from personal including professional services**

There are two types of methods to withhold (income) tax from income earned by resident persons and non-resident persons under a contract for services (either verbal or written). It is important to note that this is not an add-on tax, but a direct income tax withheld by payer of contract during progress payments stipulated under the contract agreement. Contractors who are intending to bid for a government related work under a contract of services must understand the purpose of this withholding tax depending on your residency status.

There are many types of companies in Samoa such as:

Company limited by shares

A Limited Liability Company is under the act, is a one limited by shares. The debts, obligations, and liabilities of a limited liability company are solely those of the limited liability company. They are interrelating to the manager or members of the company. Also, the limitation of the shareholders is restricted to the number of shares held by them.

Company limited by Guarantee:

A company limited by guarantee does not usually have a share capital or shareholders but instead has members who act as guarantors.

Limited life Company

These companies are the one gaining popularity in offshore. A Limited Life Company allows its dissolution on the occurrence of specified events and has the nature of a partnership under US tax law. It is often used for private fund management or investment purposes.

Hybrid Company

The term "Hybrid Company" is a type of company whose responsibility is limited by its members' guarantees and the amount of contributed capital. There are two types of members in a hybrid company: Shareholders and Warrantors.

Segregated fund international company

A Segregated Fund international Company of Samoa is an equity mutual fund company. It invests in public equity markets across the globe excluding North

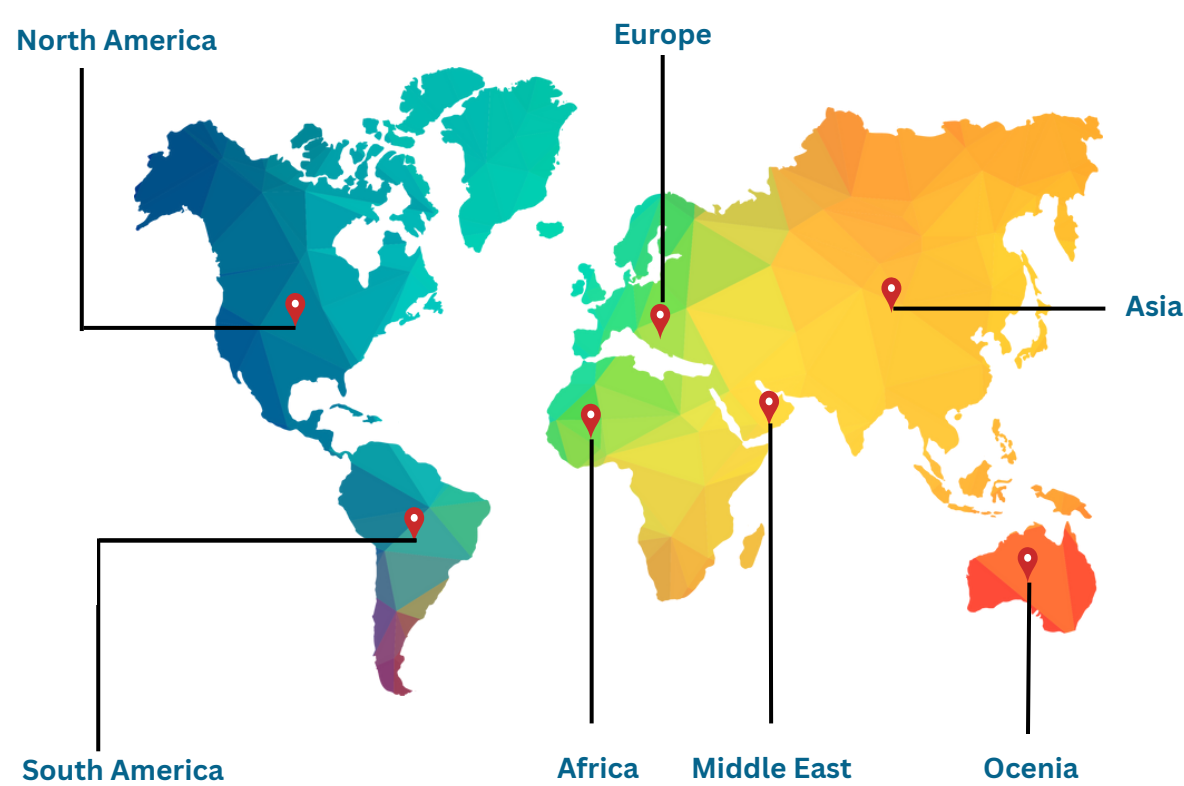
Creditor controlled Company

As the name suggests it is a type of company which is controlled by the creditors of the company. This type of Samoan company is specific to certain sectors.

Limited liability partnership

A limited liability partnership (LLP) is a type of partnership in which some or all partners (depending on the jurisdiction) have limited liabilities. It, therefore, exhibits elements of partnerships and corporation.

SERVING CLIENTS WORLDWIDE



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