



# Setting Up a Business in Vanuatu

## 6: Setting Up a Business in Vanuatu

This section provides guidance about setting up a business in Vanuatu.<sup>36</sup> At each step you will be directed to the websites of various organisations that can provide further advice. Note that rules and regulations change, and you should check for the latest information with the Vanuatu Chamber of Commerce and Industry (VCCI)<sup>37</sup> and the relevant authorities highlighted below.

Once you've decided to open a business you'll need to decide what type of business to set up. This process can seem confusing. Don't worry if you don't understand all of the options right away. Law firms can often provide some advice for free to help decide whether you need their services. Most companies use lawyers to draft their company documents.

**TIP:** Seek advice from other business owners or a mentor to see what process they followed. Don't get disheartened! As a business owner, being resilient is a key skill that you'll learn from the outset. Remember, be resilient to small setbacks and celebrate milestones!

### Business structures in Vanuatu

Businesses in Vanuatu can operate as the following legal entities: Sole Trader, Partnership, or Company (local or overseas company registered in Vanuatu). The simplest type of business is a sole trader in which there is only one owner of the business. The owner is solely liable for any debts incurred by the business.

A partnership is where two or more people contribute their own resources – cash, property, or even their time. They then have an agreement about how they share the profits between them. A partnership is usually used by professionals, like accountants and lawyers.<sup>38</sup>

A company has a separate legal entity from the owners of the company and any shareholders or members, and can therefore limit their liability and be protected from liability incurred by the company. You may want to incorporate a company and restrict the liability that you will personally face in the event that your company goes bankrupt or a client tries to sue the company for damages.

If you are setting up a social enterprise, you may want to look at non-profit options, such as a charitable association or a community company.<sup>39</sup>

The Vanuatu Financial Services Commission (VFSC) has guidance available<sup>40</sup> that describes the different types of companies and provides further information to help you decide what type of company to register.

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36 This section draws heavily from: Vanuatu Chamber of Commerce and Industry, "Starting a new business," <http://www.vcci.com.vu/resources/starting-a-new-business/>; Vanuatu Financial Services Commission, <https://www.vfsc.vu/>; and World Bank, *Doing Business 2019: Training For Reform: Economy Profile Vanuatu* (Washington, D.C., 2019), <http://www.doingbusiness.org/content/dam/doingBusiness/country/v/vanuatu/VUT.pdf>. Note that this guide only covers the registration process for Vanuatu citizens. There are additional requirements for non-Vanuatu citizens and the Vanuatu Investment Promotion Authority (<https://www.investvanuatu.org/>) can assist with any queries.

37 Vanuatu Chamber of Commerce and Industry, <http://www.vcci.com.vu>.

38 Vanuatu Financial Services Commission, "What is a sole trader, partnership and a company?" <https://www.vfsc.vu/how-to-register-a-company/learn-what-a-company-is/what-is-a-sole-trader-partnership-and-a-company/>.

39 Vanuatu Financial Services Commission, "What are community companies," <http://www.vfsc.vu/how-to-register-a-company/what-are-community-companies/>.

40 Vanuatu Financial Services Commission, "Learn about companies and other business types," <http://www.vfsc.vu/how-to-register-a-company/learn-what-a-company-is/>.



If you haven't already decided what type of company to open, VCCI advises consulting a professional business advisor, such as a lawyer, chartered accountant, or business consultant in Vanuatu, on setting up a legal structure that suits the specific nature of your business. This will help you understand the different rights and responsibilities that each type of structure involves. VCCI also suggests contacting a professional business advisor to understand the associated requirements for setting up your business.

Once you've decided to start a business there are a number of steps you'll need to take. Some of these steps can be completed online by registering as a user with the VFSC at <https://www.vfsc.vu/>.

- Step 1: Check availability of business name with the VFSC
- Step 2 (for foreign investors only): Apply for foreign investment approval with the Vanuatu Investment Promotion Authority
- Step 3 (for companies only): Apply for a permit to form an incorporated company with or without limited liability with the VFSC
- Step 4: Register your business name with the VFSC and obtain a Business Name Registration Certificate
- Step 5: Apply for a business license with the Rates and Taxes Office, Department of Customs and Inland Revenue
- Step 6: Register with the VAT Office, Department of Customs and Inland Revenue
- Step 7: Register as an employer with the Vanuatu National Provident Fund

#### Summary of the steps and procedures for starting a business in Vanuatu<sup>41</sup>

Procedure	Time to complete	Cost to complete
<p>Step 1: Check availability of business name with the VFSC</p> <p>If you have access to the Internet, you can check the availability of your business name on the VFSC website by registering at <a href="http://www.vfsc.vu/how-to-register-a-company/learn-what-a-company-is/1498-2/">http://www.vfsc.vu/how-to-register-a-company/learn-what-a-company-is/1498-2/</a>. Once registered, you can conduct an online search of existing and previous business names at <a href="https://www.vfsc.vu/vanuatu-master/viewInstance/view.html?id=a5c1e83ff0a6678b4255157f07ee7d302bf500f9c1510589&amp;timestamp=5283339760831045">https://www.vfsc.vu/vanuatu-master/viewInstance/view.html?id=a5c1e83ff0a6678b4255157f07ee7d302bf500f9c1510589&amp;timestamp=5283339760831045</a>. When you have decided on a business name, it is possible to reserve the name for VUV 2,000. This is required by foreign investments before applying for a Foreign Investment Application Certificate (see Step 2).</p>	1 day	No charge (VUV 2,000 to reserve business name)
<p>Step 2 (for foreign investors only): Apply for Foreign Investment Approval with the Vanuatu Investment Promotion Authority</p> <p>Foreign investors must obtain a Foreign Investment Application Certificate before starting a business in Vanuatu. The Vanuatu Investment Promotion Authority authorises all new investment into Vanuatu and checks that your business fits within Vanuatu's investment guidelines. Once approval is granted, business license, residency permit, and work permit approvals become largely automatic. Find out more at <a href="https://www.investvanuatu.org/">https://www.investvanuatu.org/</a>.</p>	15 business days	VUV 25,000

<sup>41</sup> This table is adapted from: Vanuatu Chamber of Commerce and Industry, "Starting a new business," <http://www.vcci.com.vu/resources/starting-a-new-business/>.

<p>Step 3 (for companies only): Apply for a Permit to Form an Incorporated Company with or without Limited Liability in Vanuatu with the Vanuatu Financial Services Commission (VFSC)</p> <p>Pursuant to the Companies Act [CAP. 191], an application for a company incorporation permit must be filed with the Minister of Finance via the VFSC. The steps for company formation depend on whether the company is a local, overseas, or international company. The VFSC website (<a href="https://www.vfsc.vu/">https://www.vfsc.vu/</a>) outlines these steps in more detail. As part of these steps you will need to determine what rules you will use to run your company. Find out more at <a href="http://www.vfsc.vu/how-to-register-a-company/learn-what-a-company-is/what-are-company-rules/">http://www.vfsc.vu/how-to-register-a-company/learn-what-a-company-is/what-are-company-rules/</a>. It is advisable to take legal advice to assist you in the preparation of documents for company registration. Model rules are available at the link above.</p>	10 business days	Incorporation fees of VUV 30,000 -250,000
<p>Step 4: Register your business name with the VFSC and obtain a Business Name Registration Certificate</p> <p>An individual must register every business name that is in any way different from his/her own surname, with or without his/her forenames or initials. A partnership or group of persons must register every business name that does not consist of the names of the persons in the partnership or group. A company registered under the Companies Act [CAP. 191] must register any business name that differs from its full company name.</p>	Same day if paid with cash or online	VUV 10,000
<p>Step 5: Apply for a business license with the Rates and Taxes Office, Department of Customs and Inland Revenue</p> <p>Under the Companies Act [CAP. 191], business licenses are valid for one year and are subject to renewal on or before 31 January of the new licensing year. The Rates and Taxes Office of the Department of Customs and Inland Revenue issues the business licenses for commercial activity in the municipalities of Port Vila and Luganville. The provincial councils of Shefa, Sanma, Malampa, Penama, Tafea, and Torba are responsible for issuing business licenses to businesses operating in their respective provinces. You can download the Business License Application Form at <a href="https://customsinlandrevenue.gov.vu/images/Forms/rates_taxes_forms/2015_New_BL_Application_Form.pdf">https://customsinlandrevenue.gov.vu/images/Forms/rates_taxes_forms/2015_New_BL_Application_Form.pdf</a>.</p>	5 business days	VUV 20,000 - VUV 1,000,000 dependant on business activity and annual turnover
<p>Step 6: Register with the VAT Office, Department of Customs and Inland Revenue</p> <p>A company must register with the Value-Added Tax (VAT) Office if it anticipates turnover of at least VUV 4 million per year. The Application for VAT Registration is available at <a href="https://customsinlandrevenue.gov.vu/images/Forms/VAT/Application_for_Registration_English.pdf">https://customsinlandrevenue.gov.vu/images/Forms/VAT/Application_for_Registration_English.pdf</a>. This form is also available in Bislama.</p>	3 business days	No charge
<p>Step 7: Register as an employer with the Vanuatu National Provident Fund</p> <p>It is compulsory for an employer to register with the Vanuatu National Provident Fund (VNPF) and pay its contributions. Under the law, an employer must register with this fund 7 days after incorporation of the business (or 7 days as soon as the first employee is recruited). Payment of contribution is made directly at the National Provident Fund. Find out more at <a href="https://www.vnpf.com.vu/employer_resp">https://www.vnpf.com.vu/employer_resp</a>.</p>	1 week	No charge



In addition to the requirements above, a municipal permit (Port Vila, Luganville, Lakatoro, or Lenakel) is required for any of the services listed below:

- Sale of liquor
- Sale of kava
- Restaurants and take-away outlets
- Cinema and video operators
- Motor vehicle repair workshops
- Night clubs, dancing halls, and bars

A public vehicle permit is required from the Land Transport Authority for businesses providing public transportation, and a tourism permit is required from the Department of Tourism for businesses that engage in tourism-related activities.

Annual renewal fees apply for many of the above procedures after successfully starting up a business. Non-payment of the annual renewal of licenses, patents, and permits, as well as fees for issued registration or certificates, will incur penalty fees. Non-payment may also result in the total cessation of the company, as well as prosecution.<sup>42</sup>

## Business advisory services

There are many business advisory services around to help you through the startup phase and beyond. Below is a summary of the types of services you are likely to need as a new business – but because things change quickly you should do your own research to determine the service providers that are right for you.

### Banking

All businesses will need a business bank account. Even as a sole trader, it's advisable to have separate bank accounts for your business and your personal use.

When you open your account, talk to your account manager about online banking facilities, transaction limits for bill payments and transfers (this can save you a lot of time!), bank charges, whether they will provide a dedicated account manager to act as a liaison point, and mobile payment machines if you know that you'll need one.

If you need a loan to start your business, discuss this early with various banks to understand your options.

### Legal advice

Law firms, chartered accountants, and business consultants can help register your business name, write your articles of association, and provide other support to set up your business. Using the services of a lawyer to set up your business can save a lot of time and effort, and help you understand the legal documents you are required to sign.

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<sup>42</sup> More information on company fees and penalties is available at: Vanuatu Financial Services Commission, "Companies – Fees and Penalties," <http://www.vfsc.vu/fees-help-support/charitable-trusts-fees-and-penalties/>.

## Accounting

You may decide that you are able to manage the day-to-day bookkeeping for the business, at least initially. Financial statements are likely to require the support of an accountant – unless you are one yourself! But don't confuse the day-to-day tracking of your income and expenditures with the preparation of financial statements.

The day-to-day bookkeeping will allow you to know whether you can pay your bills, yourself, and your staff. For this, you may want to use an accounting software. There are a number of free and paid accounting software programs available – ask other small businesses what they use and if they have any recommendations.

If you need the advice of an accountant for bookkeeping and in preparing annual financial statements, VCCI can suggest suitable accounting firms that are familiar with providing advice to small businesses. You may also want to contact Vanuatu Financial Centre Association<sup>43</sup> members – they provide accounting and other business support services.

## Website creation, design, and maintenance

There are many easy-to-use, do-it-yourself platforms for creating websites (such as WordPress), but since your website will be with you for a number of years, you want to get it right, and it can be worth spending a bit of money for a professional and effective website for your business. Make sure that website providers develop a solution that is low-maintenance and does not rely on their ongoing support for every update. Don't think of a website as a one-off task. You'll need to keep it updated with fresh content and ensure that it is secure.

## Employer bodies/associations

When you are starting out as a business you may not know many people in the industry. Your business license includes membership with VCCI and they should be your first call for any business advice and guidance. Joining an industry association can be a good way to network with other business owners, receive ongoing advice, and promote your business. Annex 1 lists some options, but you can also ask around to learn about other associations.

## Further training and advice

VCCI runs a variety of training courses,<sup>44</sup> including courses certified by the International Labour Organization (ILO) such as "Generate your Business Idea"<sup>45</sup> and "Start and Improve Your Business".<sup>46</sup>

VCCI also acts as the focal point for Business Link Pacific that subsidises contracted services for small businesses. In addition, VCCI has several partnerships<sup>47</sup> that provide business incubation services and business resilience advice, and manage subsidy schemes for business advisory services.

You may also consider contacting Pacific Trade and Invest,<sup>48</sup> an organisation that supports businesses in the Pacific in exporting products, digital marketing, and trade show attendance.

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43 Vanuatu Financial Centre Association, <http://www.fca.vu/fca/>.

44 Vanuatu Chamber of Commerce and Industry, "Business Training," <http://www.vcci.com.vu/business-training/>.

45 International Labour Organization, Generate Your Business Idea (Geneva, 2015), [https://www.ilo.org/wcmsp5/groups/public/--ed\\_emp/--emp\\_ent/--ifp\\_seed/documents/instructionalmaterial/wcms\\_436192.pdf](https://www.ilo.org/wcmsp5/groups/public/--ed_emp/--emp_ent/--ifp_seed/documents/instructionalmaterial/wcms_436192.pdf).

46 International Labour Organization, "Start and Improve Your Business Programme," <https://www.ilo.org/empent/areas/start-and-improve-your-business/lang--en/index.htm>.

47 Including with the United Nations Development Programme and Business Link Pacific.

48 Pacific Trade Invest, <https://pacifctradeinvest.com/>.