Tax Expenditures in the Solomon Islands

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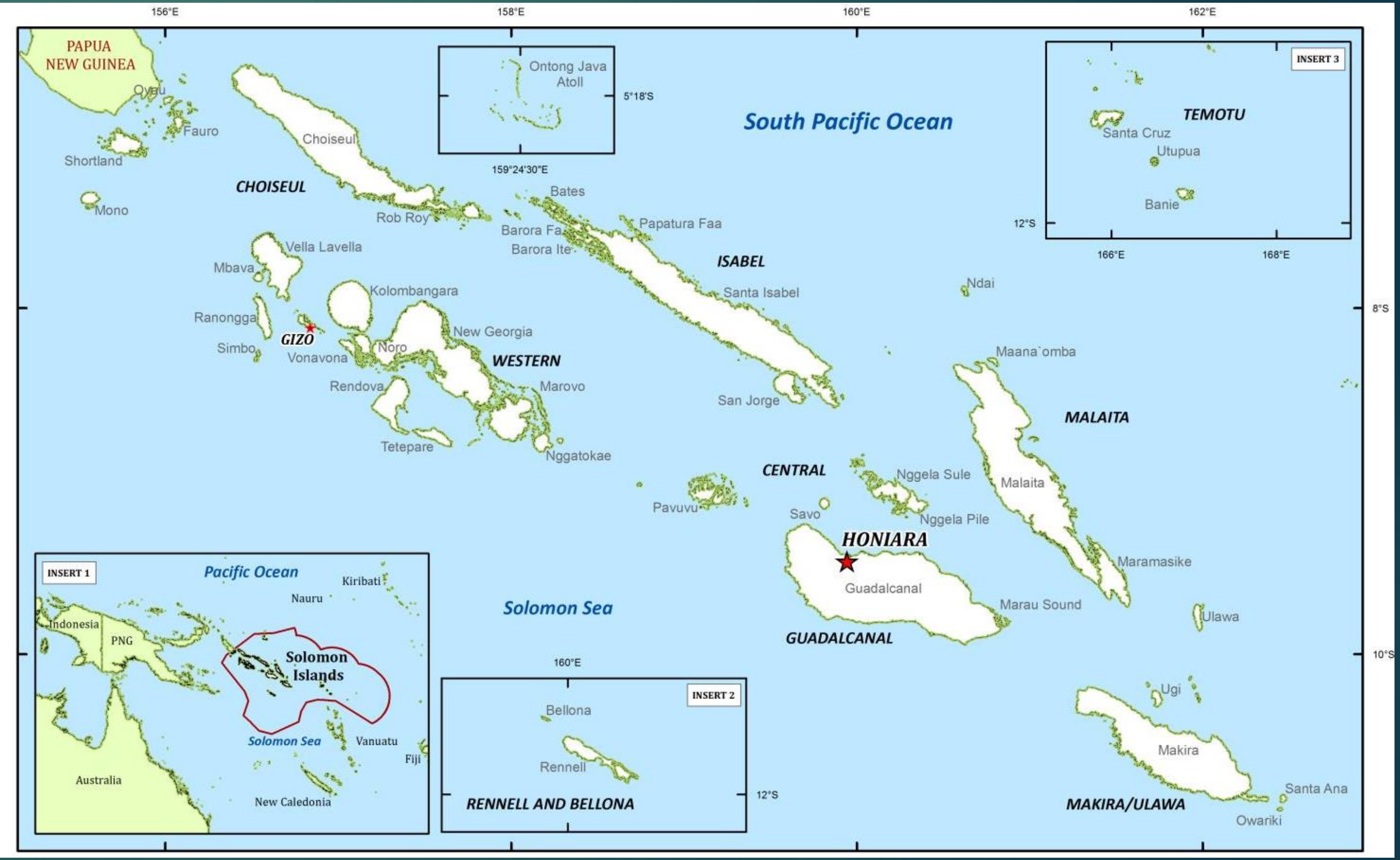
Overview of the Solomon Islands

- Population: 740,424 (2023)
- GPD: SBD 1.127 Billion = USD 0.133 Billion (2023)
- Tax collection: SBD 2,914 Million =USD 343 million.

  (26% of GDP)
- Main industries: agriculture, fisheries, Forestry & Logging, construction, manufacturing, mining, retail & wholesale and other services
- Inland Revenue Division (IRD) staff numbers: 190
- Asian Development Bank (ADB) project currently in place to help reform tax laws, administrative practices and structures, and implement upgraded Taxation Administration Information System.



WHERE WE WERE – Pre - 2006

- There were no Guidelines/criteria /processes used
- No value – we did not know how much was given away in exemptions
- Decisions made were not consistent
- Separate committees –Customs & IRD – therefore have separate criteria.
- Businesses were complaining that we were acting favorably to certain businesses over other businesses
- Created a lot of distortion in the economy
- A large number of changes were necessary.

WHAT HAS CHANGED

- Ministerial support for change
  - 2006 - Exemptions Guidelines and a committee structure was established for IRD.
  - All Exemption applications have gone through the same process using the criteria's in the Guidelines
  - We then had a better picture as how much the Government has forgone in revenue
  - Had better reporting on exemptions granted
  - Informed decisions could be made on exemptions that would assist the economy

NEW LEGISLATION CHANGES

- Further changes in 2012. Legislation introduced to Parliament

Amendments

- Bring together Customs and IRD Committees together into One committee
- Same criteria used and same administrative requirements
- There was consistency in processing applications
- If the Minister disagree with the recommendations he/she needs to put in writing the reasons as to why they disagreed
- Transparent - All exemptions granted are published in IRD's website & Report to PAC annually

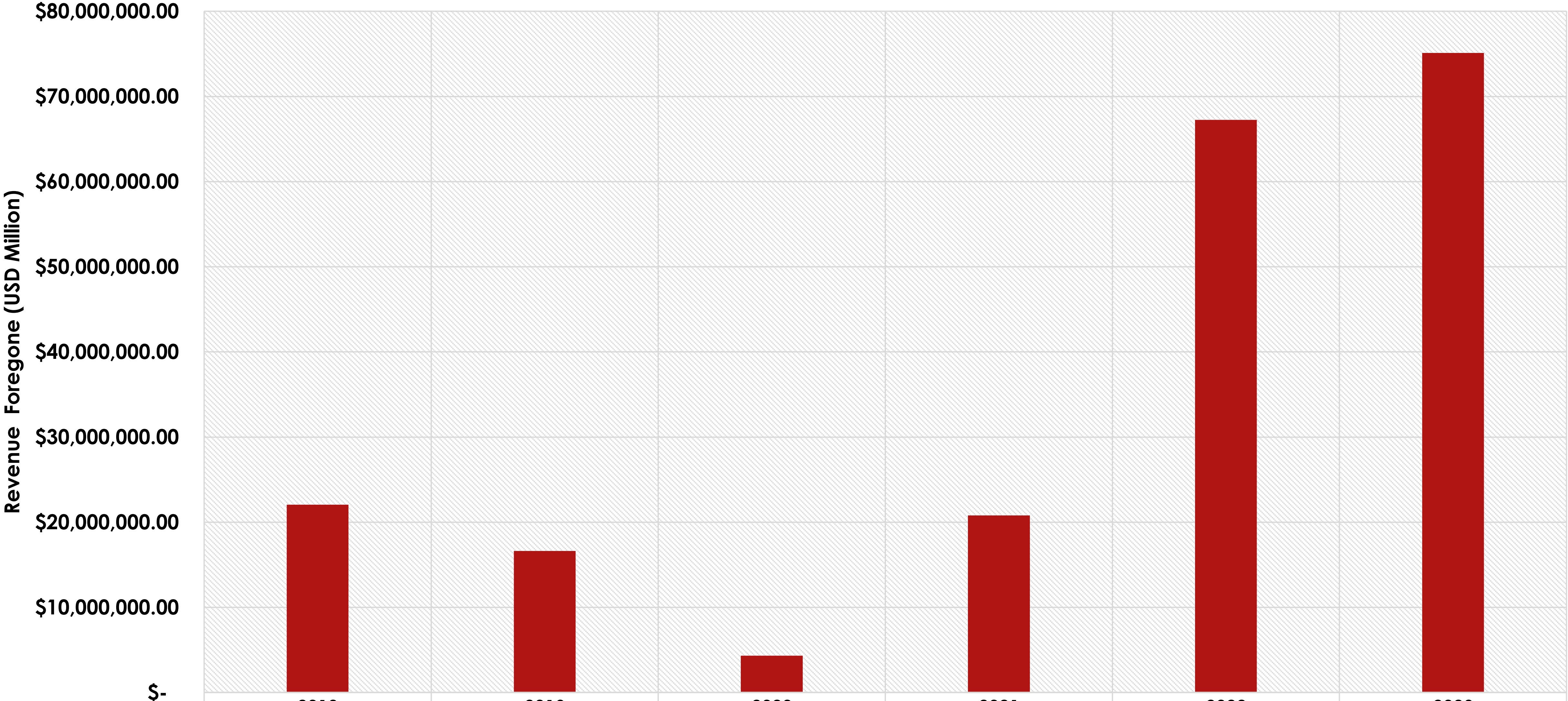
2023 Tax Expenditures (SBD)

2023 Total Exemptions approved by Exemption Committee plus Statutory Exemptions

TYPES OF EXEMPTIONS	***NUMBER OF APPLICATIONS***	***TOTAL REVENUE FOREGONE***
Statutory Exemptions	*1554*	*74,636,931.31*
Minister's Discretion Exemptions / Committee Exemptions	*223*	*490,234,605.66*
Ministerial Exemptions (Constituencies)	*250*	*57,303,762.40*
Exemptions based on MOU / Projects	*59*	*12,799,779.20*
Doctor's Exemptions	*33*	*1,476,677.58*
Magistrate's Exemptions	*4*	*89,201.29*
Stamp Duty Exemptions	*111*	*Not stated*
Total exemptions including statutory & Minister's Approvals	***2,234***	***636,540,957.44***

$ 637 Million SBD = $ 75 Million USD

Total Exemptions approved by Exemption Committee including Statutory Exemptions (2018 - 2023)



	2018	2019	2020	2021	2022	2023
Revenue Foregone (USD Million)	$22,067,404.55	$16,627,996.67	$4,330,574.63	$20,795,705.10	$67,250,150.49	$75,111,832.98

2023 Tax Expenditures

- There is a significant difference between 2018 to 2023 exemption figures simply on the basis that there are a number of bigger national projects where exemptions were granted and implemented from 2022 to 2023.
- This includes: South Pacific Games 2023 project, Roads & Airport upgrades, State-Owned Enterprises, tourism, fishing, shipping, mining and other priorities.
- A number of projects were stalled due to Covid-19 in 2020.
- Inland Revenue Division continued providing support to Secretariat services to the Revenue and Customs Exemption Committee.

To Conclude - Further Changes - 2023

- The new upgraded computer system will have an exemptions module where TEs will be more easily and transparently reported to Government and included in the IRD Annual Report for public information.
- Solomon Islands may be able to report TEs on the Global Tax Expenditures Database (GTED) at some time in the near future.
- Introduction of VAT – Exemptions reduced & Exemption Committee ceased.
- Finally, we aim to learn as much from this engagement to consider developing our national TE Strategy