



# Tax Expenditures in the Solomon Islands

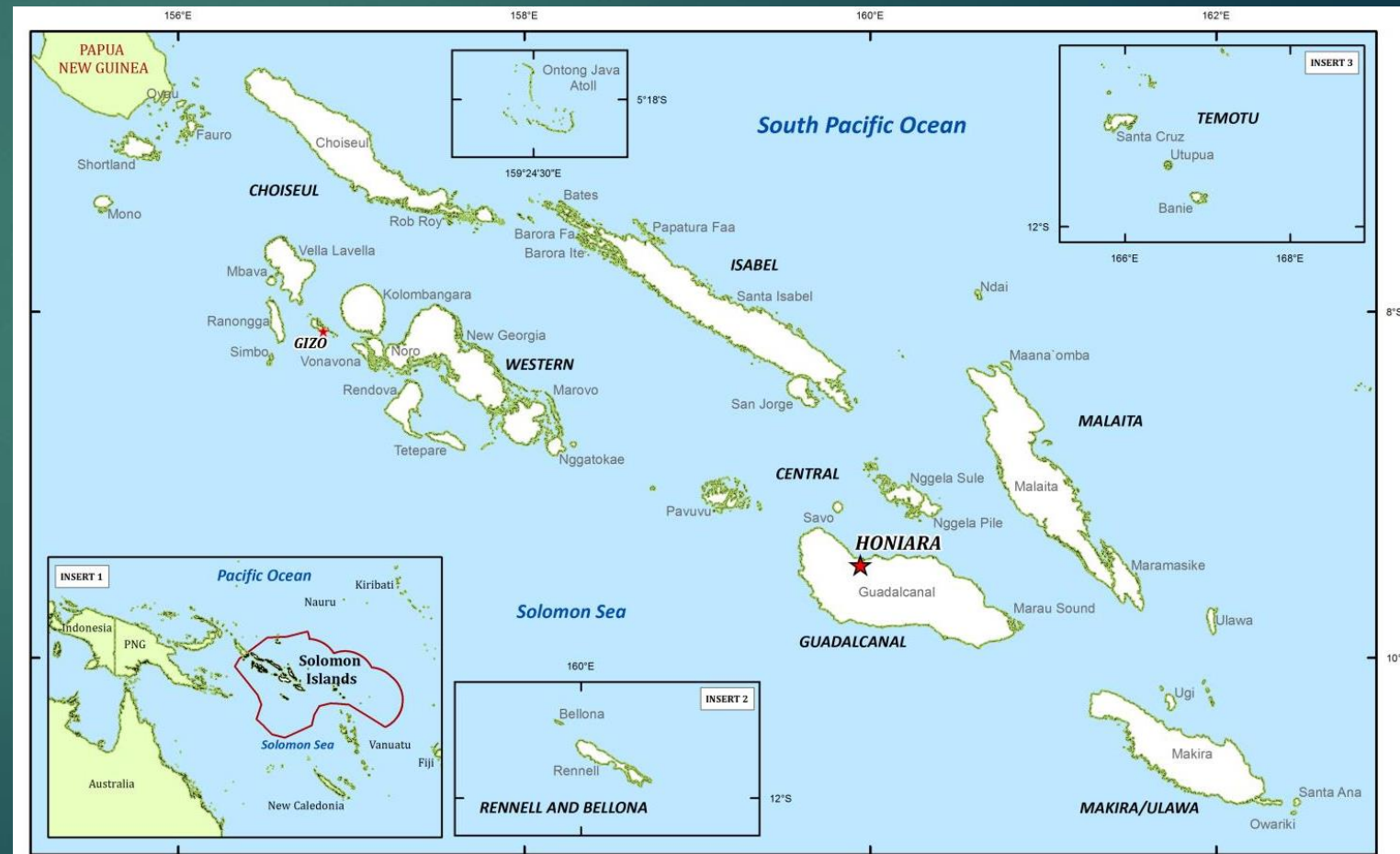
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SOLOMON ISLANDS

# Overview of the Solomon Islands

- ▶ Population: 707,851 (2021)
- ▶ GPD: USD \$1.63 billion (2021)
- ▶ Tax collection: USD \$216 million (13.2% of GDP)
- ▶ Main industries: timber, agriculture, fisheries, construction, mining, tourism, retail & wholesale
- ▶ Inland Revenue Division (IRD) staff numbers: 130
- ▶ Asian Development Bank (ADB) project currently in place to help reform tax laws, administrative practices and structures, and implement upgraded Taxation Administration Information System.



# Regulation of Foreign Investment



## Ministry of Commerce, Industry, Labour and Immigration



Investors



Businesses



Employment



Visitors



Industries



Consumer  
Affairs

### Foreign Investment

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## Foreign Investment Registry

### What is the Foreign Investment Registry?

- The Foreign Investment Registry is the official register of all non-sensitive foreign investment including details of those investments and of investors that are operating in the Solomon Islands. The registry is legislated for under Section 6 of the Foreign Investment Act and maintained by InvestSolomons under the authority of the Registrar of Foreign Investment (Division's Director).
- The Register is now kept electronically in the form of an online registry that can be accessed through the [Solomon Islands Government's Business Registry](#).

# Tax Expenditures for foreign investors

## Foreign Investment

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## Tax, Incentives and Duties

The Government offers incentives to new investors, and are granted at the approval by the Commissioner of Inland Revenue through application and recommendation by the Exemption Committee. The Exemption Committee is comprising of representatives of key government ministries and technical expert with key expertise.

They may include tax holidays and duty exemptions on the import of certain capital goods.

Further information can be obtained from the [Inland Revenue Division](#).

You can find out more about these tax incentives and duties by visiting the relevant InvestSolomons page on the [Solomon Islands Government's Business Registry](#) website.

# 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

# 2021 Tax Expenditures

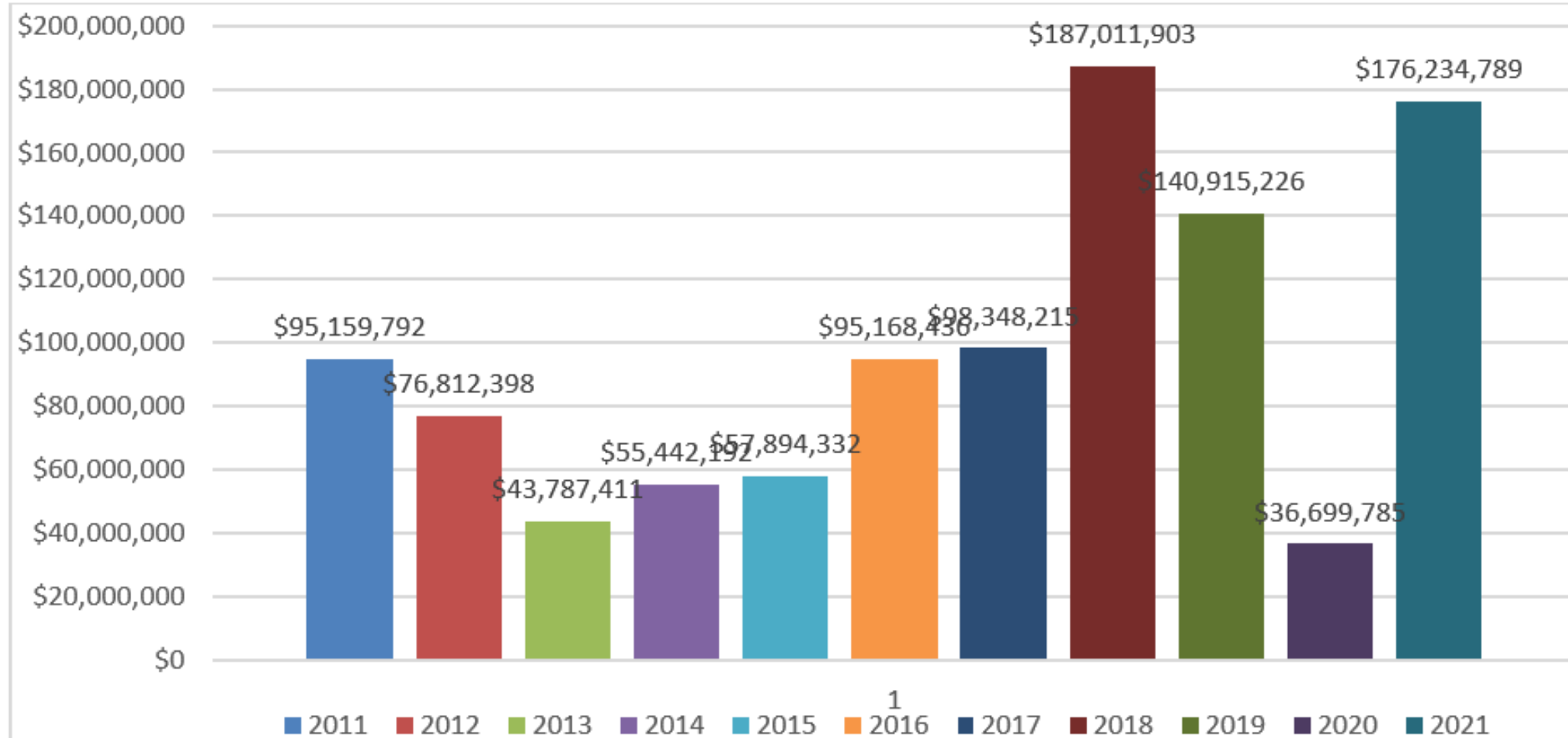
## 2021 Total Exemptions approved by Exemption Committee plus Statutory

Types of Exemptions	Number of Applications	Revenue Foregone
Statutory Exemptions approved	2055	\$62,688,064.74
Minister's Approval	46	\$8,487,439.69
MPs Exemption (Incl. PER)	257	\$25,376,897.44
Doctors Exemptions Scheme	19	\$192,257.79
Stamp Duties Exemptions	74	\$14,001,354.37
Exemption Committees Approval	38	\$65,488,775.20
Agreements/MOU	9	<ul style="list-style-type: none"> <li>• <b>Income Tax</b> = more than 16m (estimated)</li> <li>• <b>Goods Tax</b> = more than 10m (estimated)</li> </ul>
<b>Total exemptions including statutory &amp; Minister's Approvals</b>	<b>2,489</b>	<b>\$176,234,789.23</b> \$176 Million SBD = \$21 Million USD



# 2021 Tax Expenditures (\$ SBD)

## Dollar Value of Ministerial Exemptions Granted 2011-2021



# 2021 Tax Expenditures

- ▶ There is a significant difference between 2018 to 2021 exemption figures simply on the basis that there are a number of bigger national projects where exemptions were granted and implemented in 2021.
- ▶ 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 2021.
- ▶ 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.