



National Parliament of Solomon Islands

Bills and Legislation Committee

# Committee Report

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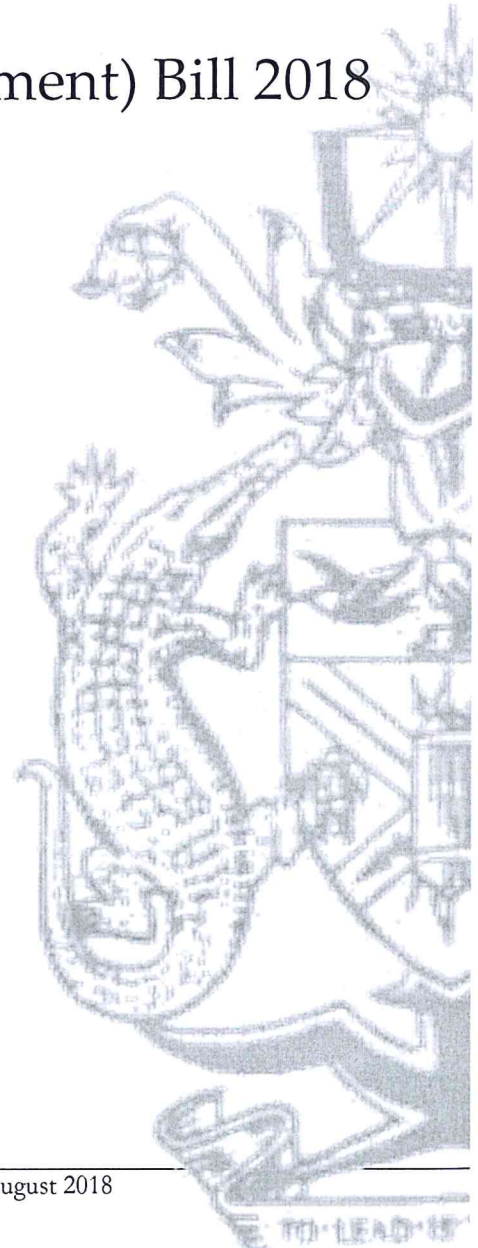
Report on the Goods Tax (Amendment) Bill 2018  
(No.5 of 2018)



NP-Paper No. 24 of 2018

Presented on 21<sup>st</sup> August, 2018

National Parliament Office





## COMMITTEE MEMBERS

The current members of the Bills and Legislation Committee (10<sup>th</sup> Parliament) are:

**Hon. Matthew Cooper Wale, MP (Chairman)**

**Hon. Dr Derek Sikua, MP**

**Hon. Manasseh Maelanga, MP**

**Hon. Douglas Ete, MP**

**Hon. Peter Tom, MP**

**Hon. Christopher Laore, MP**

**Hon. Alfred Ghiro**

### Secretariat:

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## CHAIR'S FOREWORD



Hon. Matthew Cooper Wale, MP, Chairman

### REPORT OF THE BILLS AND LEGISLATION COMMITTEE

Mr. Speaker,

Pursuant to Standing Orders No. 71 (g) of the National Parliament of Solomon Islands, it is an honour and pleasure for me Sir, to present the Report of the Bills and Legislation Committee on the Inquiry into the **Goods Tax (Amendment) Bill 2018** for laying before Parliament.

A handwritten signature in blue ink, appearing to read 'M. Cooper Wale', written in a cursive style.

**Hon. Matthew Cooper Wale, MP**

Chairman

Bills and Legislation Committee

21<sup>st</sup> August, 2018



## COMMITTEE FUNCTIONS

Refer to Standing Order 71 of the National Parliament of Solomon Islands.





## EXECUTIVE SUMMARY

The Committee conducted hearings on the Goods Tax (Amendment) Bill 2018 on the 13<sup>th</sup> and the 16<sup>th</sup> of July 2018.

The object of the Bill is to improve compliance to ensure registered importers for the purposes of goods tax pay the same value as unregistered importers who are required to pay at the port. The Bill does this by setting an uplift value of 130% on goods imported by registered persons.

The Committee applauds the government's efforts to enhance compliance with our tax laws and ensure equitable treatment of importers. It is hoped this bill will contribute to increased revenue to the government under goods tax.

After scrutinising the Bill the Committee makes the following recommendations:

- 1. That business entities that do not comply or evade the country's taxation laws be black listed, their names published, and they are barred from accessing government contracts and services;**
- 2. That the Ministry of Finance and Treasury carry out the overall reform of the taxation regime in the country to encourage compliance and avoid arbitrary taxation. Fairness dictates that the calculation of goods tax on goods must exclude customs duty on such goods.**
- 3. Important stakeholders in the economy must be consulted on any changes to any aspects of our taxation system.**
- 4. That capital equipment imports that are not for resale are exempted from goods tax and the government to consider other tax options on such imports.**

The Committee commends the Bill to the House.



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## 1.0 INTRODUCTION

This Report presents the findings and recommendations by the Bills and Legislation Committee ('the Committee') after inquiring into the **Goods Tax (Amendment) Bill 2018** ('the Bill') as required under the Standing Orders of the National Parliament of Solomon Islands ('the Standing Orders').

This Bill seeks to set a minimum sales value to be used for the calculation of goods tax on goods imported by registered goods tax payers.

Relevant stakeholders<sup>1</sup> were invited before the Committee to make presentations or provide submissions on the contents, policy matters, and intentions of the Bill.

The hearings into the Bill were held on the 13<sup>th</sup> and the 16<sup>th</sup> of July 2018. The List of witnesses that appeared before the Committee and minutes of these proceedings are contained in Appendices 1 and 2.

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<sup>1</sup>See Appendix 1

## 2.0 BACKGROUND INFORMATION

The Goods Tax (Amendment) Bill 2018 seeks to increase compliance with the Goods Tax Act. The Commissioner of Inland Revenue has had strong concerns that some persons registered for goods tax purposes are undervaluing goods at the wholesale level so as to pay less goods tax.

Members are advised to refer to the final pages in the Bill containing the Bill's objects and the explanatory memorandum to understand the structure of the Bill, read in light of the Table of Provisions page.

This Bill amends section 21(1) of the Goods Tax Act (Cap 122) by adding paragraph (c) so that even if a registered importer quotes their certificate at the port of entry, they will be liable for goods tax at the uplift value of 130%. The Commissioner of Inland Revenue will still be responsible for the collection of revenue from registered importers.

## 3.0 ISSUES DISCUSSED

During the scrutiny of the Bill, the Committee considered the following issues.

### 3.1 Tax compliance

According to the acting PS of the MOFT<sup>2</sup> the current practice is that, the Goods Tax arrangements are different from those which are registered and those which are not registered for goods tax. Those registered for goods tax can import goods into the country and delay paying goods tax until the goods are sold.

For registered goods tax payers, the current sales value of goods is the amount of which those goods are sold by the registered person. For those who are not registered for goods tax purpose or those who fail to quote their goods tax registration number, the current process requires them to pay goods tax on imported goods at the port. The sale value on which goods tax is calculated is 130 percent uplift amount, being 130 percent of the value of the goods imported including customs duty payable. The uplift amount currently used by Customs in this situations is designed to be a proxy for the uplifted value of the product when sold at the wholesale level.

According to the acting PS of MOFT the issues and concerns this policy is trying to address is that, the IRD has experienced under-reporting of the wholesale value for goods for goods tax purposes for some time, and it is a compliance concern. The IRD has undertaken price surveys and sees scope for manipulation of the system. Some wholesalers who are registered for goods tax purposes, imported goods and sell the goods to associated entities at a lower price to pay less goods tax at the wholesale level and use the associated entities to earn huge revenue at the retail level.

The Committee shares the government's concern on this unethical practice and agrees with the need to remedy it. The Committee urges the Commissioner of Inland Revenue to establish a system for blacklisting registered importers who indulge in schemes to avoid goods tax.

### 3.2 Tax reform

Committee members expressed concern on the imposition of Tax that will have adverse effect on consumers and the economy. A member of the Committee commented,<sup>3</sup> *'if we cannot take care of consumers, just because we are trying to get more money out of businesses, it is the consumers who are going*

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<sup>2</sup> Dentana Makini, oral evidence, 13 July 2018

<sup>3</sup> Hon. Laore, Christopher, oral evidence, 13 July 2018, pg 10 - 11

*to be affected and in the end we would have a lot of poor people in the country'*. Members commented that with regards to policy, the government have been too focused on raising as much revenue so that they can spend as much public funds. For no fault of the importers we are slapping all these taxes on, and then we complain that the cost of living is too high for our people. It seems an artificial cost, whilst in reality it is the cost of government. Committee members expressed the need for reform and reviewing of our taxation system to ensure lower cost of living. Goods tax is calculated after having already including the customs duty on the goods, thereby artificially inflating the value for goods tax purposes. This is arbitrary taxation, and clearly unfair. The consumers bear this cost of government in the end.

The Chief Executive Officer (CEO)<sup>4</sup> of the Solomon Islands Chamber of Commerce and Industries (SICCI) when commenting on this issue state that this tax reform agenda that has already started is an ad hoc initiative. He state that the tax reform should be a holistic program that looks at three different stages where you have tax administration as part of stage 1, VAT as stage 2 and other taxes as part of stage 3. The CEO further commented that the Chamber felt that it is important that the work of the tax reform goes through before we start introducing other things.

The CEO state that at the end of the day, you will also have low income earners that are going to bear the brunt of any increase or changes to taxation. Already in an environment where it is a tough place to do business and also just for low income earners to survive, we might as well relook at this. The acting PS assures the Committee that the MOFT is looking at the overall review of the tax system within the country with the aim of trying to protect investment and growth in the economy and the Cabinet has already approved to embark with the reform. He indicated that there are some amendments that will be done this year but some reform might be carried forward to next year.

### **3.3 Consultations**

The CEO of the SICCI<sup>5</sup> stated that the Chamber was not consulted on this Bill. He stated that as a representative of the business community, it is important that any changes whether it be policy or administrative should have undergone a process of consultations with stakeholders.

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<sup>4</sup> Mr. Meoni Dennis, oral evidence, 13 July 2018, pg.16

<sup>5</sup> Ibid, pg.15



## Recommendations

The Committee recommends that:

1. Business entities that do not comply or evade the country's taxation laws be black listed, their names published, and they are barred from accessing government contracts and services;
2. That the Ministry of Finance and Treasury carry out the overall reform of the taxation regime in the country to encourage compliance and avoid arbitrary taxation. Fairness dictates that the calculation of goods tax on goods must exclude customs duty on such goods.
3. Important stakeholders in the economy must be consulted on any changes to any aspects of our taxation system.
4. That capital equipment imports that are not for resale are exempted from goods tax and the government to consider other taxation options on such imports.

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END OF REPORT

## 4.0 APPENDICES

### Appendix 1: Witnesses

Date	Name	Position & Organisation
Fri 13 <sup>th</sup> July 10:13am – 11:03am	Ms. Sarah Wickham	Comptroller (Acting), Customs
	Mr. Eric Saelea	Commissioner (Acting), IRD
	Mr. Dentana Makini	US, (PS Acting)
	Mr. Rictor Luaboe	Director, ERU
	Ms. Cartney Cleory	Adviser
	Mr. Charlie Onahikeni	Policy Officer, IRD
	Mr. Casper Sonya	ADC Compliance, IRD
	Mr. John Lagi	DC Revenue (Acting), IRD
1:21pm – 2:12pm	Mrs. Wendy Ho	English Secretary to Chinese Association
	Mr. Dennis Meoni	CEO, SICCI
	Mr. Loyley Ngira	CEO, STCL/SICCI
	Mr. Terath Shandil	CFO, STCL
	Mr. Isaac Inoke	President, Clearance Agents Association
	Mr. John Ta'amora	Advocacy
	Mr. Martin .M. Lacs m	Accountant, QQQ Wholesale
	Mr. Francis Lontol	Accountant, QQQ Wholesale
Mon 16 <sup>th</sup> July 9:50am – 10:12am	Mr. Casper Sonya	ADC Compliance, IRD
	Mr. Eric Saelea	Commissioner (Acting), IRD

## Appendix 2: Minutes of Proceedings



NATIONAL PARLIAMENT OF SOLOMON ISLANDS

BILLS AND LEGISLATION COMMITTEE

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### Minutes of Proceeding

Committee Hearing into the Goods Tax (Amendment) Bill 2018

Day 1/Friday 13<sup>th</sup> July 2018, CR II, Parliament House @ 10:13am.

#### 1. Members Present

Hon. Matthew Wale, MP (Chairman)

Hon. Dr Derek Sikua, MP

Hon. Christopher Laore, MP

#### Secretariat and Support Services

Mr Wilson Anii, Committee Secretary

Ms Ivory Iruha'a, Committee Secretary

Mr Philemon Loe, Media

#### 2. Chairman call meeting to order

#### 3. Welcome and Opening Remarks

The Chairman made opening remarks by acknowledging and welcoming the acting PS of MOFT and other officers of the IRD, Customs and Economic Reform Unit. The witnesses were reminded of the Parliamentary Privileges, recordings of the proceeding, Member of the Committee were introduced. He then invites them to deliver their presentation. The acting PC introduces himself and other members present and commenced his presentation.

#### 4. Committee hearing into the Goods Tax (Amendment) Bill 2018

The Hearing proper commenced and the following witnesses were admitted.

##### Hearing 1 Witnesses

Ms. Sarah Wickham

Mr. Eric Saelea

Mr. Dentana Makini

Mr. Rictor Luaboe

Ms. Cartney Cleory

Mr. Charlie Onahikeni

Mr. Casper Sonya

Mr. John Lagi

Comptroller (Acting), Customs

Commissioner (Acting), IRD

US, (PS Acting)

Director, ERU

Adviser

Policy Officer, IRD

ADC Compliance, IRD

DC Revenue (Acting), IRD

The Committee questioned the witnesses on their presentation and on the contents of the Bill. The witnesses answered, made clarification and commented on issues raised.

The Chairman thanked the witnesses for their attendance and conclude the proceeding.

Evidence concluded and the Chair thanked the witnesses for their attendance and presentations on the Bill.

*Evidence concluded at 11: 03am*

*Hearing suspended for lunch break.*

The Hearing resumed at 1:21pm and the following witnesses were admitted.

**Hearing 2 Witnesses**

Mrs. Wendy Ho	English Secretary to Chinese Association
Mr. Dennis Meoni	CEO, SICCI
Mr. Loyley Ngira	CEO, STCL/SICCI
Mr. Terath Shandil	CFO, STCL
Mr. Isaac Inoke	President, Clearance Agents Association
Mr. John Ta'amora	Advocacy
Mr. Martin .M. Lacsma	Accountant, QQQ Wholesale
Mr. Francis Lontol	Accountant, QQQ Wholesale

**5. Adjournment**

The Committee adjourned hearing at 2:12pm

**Day 2 /Monday 16<sup>th</sup> July, 2018, CR II, Parliament House @ 9:50am.**

**1. Members Present**

Hon. Matthew Wale, MP, Chairman

Hon. Dr Derek Sikua, MP

Hon. Douglas Ete, MP

Hon. Alfred Ghoro, MP

**Secretariat**

Mr Wilson Anii, Committee Secretary

Ms Ivory Iruha'a, Committee Secretary

Ms Theresa Nori, Hansard

Mr Philemon Loe, Media

**2. Chair call meeting to order**

**3. Welcome and Opening Remarks**

The Chairman made opening remarks. Welcomed the witness and informed the witness of Parliamentary Privileges employed in this inquiry and the recording of the proceeding. The Chair introduced the Members of the Committee and invite members of the Committee to ask questions on the clauses of the Bill.

**4. Committee clause by clause scrutiny of the Goods Tax (Amendment) Bill 2018**

The Hearing proper commenced and the following witnesses were admitted:

**Hearing 3 Witnesses**

Mr. Casper Sonya	ADC Compliance, IRD
Mr. Eric Saelea	Commissioner (Acting), IRD

## 5. Adjournment

The Committee adjourned hearing at 10:12am

