



**THE INCOME TAX
(AMENDMENT) BILL 2007**



THE INCOME TAX (AMENDMENT) BILL 2007

A

BILL

Entitled

AN ACT TO DEFER THE ENFORCEMENT OR BRINGING INTO OPERATION OF SECTION 36B OF THE INCOME TAX (AMENDMENT) ACT 2005 (NO. 8 OF 2005) TO 1ST OF JANUARY 2007.

WHEREAS subsection (2) of section 1 of the Income Tax (Amendment) Act 2005, provided that the Act shall come into force on 1st January, 2006, and subject to subsection (3) shall apply for the year commencing 1st January, 2006:

AND WHEREAS subsection (3) of section 1 provided that the Act shall apply to payments referred to in a tax deduction provision made on or after 1st January, 2006:

AND WHEREAS in terms of section 21 of the Interpretation and General Provisions Act (Cap 85), an Act which includes a date purporting to be the date on which the Act or any provision of the Act came or will come into operation is evidence of its date of operation:

AND WHEREAS due to unforeseen administrative difficulties it has become evident that the provisions of section 36B, which relate to the "deduction of tax from interest" could not be enforced with effect from the date specified in the said Amending Act:

NOW THEREFORE BE IT ENACTED BY THE NATIONAL PARLIAMENT OF SOLOMON ISLANDS AS FOLLOWS-

- | | | |
|---|----|---|
| Short title | 1. | This Act may be cited as the Income Tax (Amendment) Act 2007. |
| Deferment of date of operation of section 36B | 2. | Notwithstanding the provisions of section 1 of the Income Tax (Amendment) Act 2005 (Act No. 8 of 2005) the provisions of section section 36B of the said Act, shall be deemed not to have come into operation on the 1st day of January 2006, but shall come into operation with effect from 1st January, 2007. |
| Indemnity | 3. | Notwithstanding the provisions of section 1 of the said Income Tax (Amendment) Act; a resident person or a permanent establishment in Solomon Islands of a non-resident person on whom the obligation is imposed to deduct tax in terms of section 36B, and who has not complied with that obligation during the period commencing 1st January 2006 and ending on 31st December 2006, is hereby, indemnified from all legal proceedings of any kind, whether criminal or civil in respect of non-compliance with the said provisions. |

THE INCOME TAX (AMENDMENT) BILL 2007

Objects and Reasons

This Bill seeks to amend the operational date of effect of section 36B of the Income Tax Act (as introduced by the Income Tax (Amendment) Act 2005 (Act No. 8 of 2005) from 1st January 2006 to 1st January 2007.

Section 36B of the Act applies to a payment of interest made to a resident person or a permanent establishment in Solomon Islands of a non-resident. Under that provision, tax is required to be deducted at the rate of 10%. There are some exceptions to the requirement to withhold tax. The section does not apply to interest income-requirement to withhold tax. The section does not apply to interest income-

- (a) that is exempt from income tax;
- (b) paid to a financial institution; or
- (c) interest income paid by a resident individual who is not carrying on a business.

Under section 16 of the Income Tax Act (Cap. 123) all payments of interest up to \$5000 in a year are exempt from income tax. This means that the measure only applies to a small number of taxpayers who earn more than \$5000 in interest in a year.

Subsection (3) of section one of Income Tax (Amendment) Act 2005 (Act No. 8 of 2005) provides that the Act shall apply to payments referred to in a tax deduction provision made on or after 1st January 2006.

At the time of passage of the Act a number of administrative difficulties meant that the application of section 36B from the commencement date of 1st January 2006 was not practical. The measure applies to a small number of taxpayers, but requires significant changes to the banks computer systems.

Solomon Islands Commercial Bankers Association requested additional time to ensure that the banking sector could put in place appropriate systems to enable them to meet their obligations. The Government agreed to defer the implementation of section 36B to 1st January 2007 and issued a Press Release to this effect on 11th July 2006.

Clause 2 of this Bill therefore seeks to amend the date of operational effect of section 36B from 1st January 2006 to 1st January 2007.

Clause 2 of this Bill provides an indemnity to those taxpayers who have not complied with the obligations imposed under section 36B during the period 1st January 2006 to 31st December 2006.

Minister for Finance and Treasury

Honiara, Solomon Islands
Printed under the authority of the
Solomon Islands Government

Printed by Solomon Islands Printers Ltd.