

## Guidelines for the Application of Part VI of the Goods Tax Act [CAP122]

### 1.0 Overview

Section 37 (2) of the Goods Tax Act provides for the Minister of Finance to grant exemption from Goods Tax in certain circumstances.

- **Statutory exemptions** – these exemptions are specified in the First schedule.
- **Ministerial Order** – the Minister may make an order exempting persons, goods or a class of goods.

While the Act provides an outline of the conditions and criteria for applications, it is appropriate, given the power now conveyed on the Minister of Finance, to confirm operational guidelines to support the application of these legislative provisions. This document sets out how the Minister of Finance will undertake his statutory functions in applying this legislation, and how the Commissioner of Inland Revenue will administratively support the Minister.

### 2.0 Qualifying Items

The Minister of Finance has determined that exemption from Goods Tax will only be considered for investors with capital inputs in respect of:

- New businesses commencing operation in Solomon Islands;
- Modernisation or expansion of existing business activities in Solomon Islands; and
- Rural community development.

Items that are specifically excluded from exemption include any:

- Goods purchased for resale;
- Goods consumed by the business in the normal course of its business operation;
- Road vehicles which are used wholly or partly for private purposes; and
- Spare parts, Oil, Fuel, Diesel or lubricants purchased by large businesses (ie, businesses with a turnover of more than SBD 1,000,000 per year).

In determining the application of section 37(2) the Minister of Finance will have regard to **whether it is in the national interest to forgo revenue that would otherwise be collected**. This national interest test is in addition to the conditions above and includes a broad analysis that considers the:

- benefits to the national interest;
- costs to the national interest (including the cost of forgone revenue, the economic costs caused by exemptions and the precedent created by granting the exemption);
- sustainability of these benefits and costs
- revenue (taxation, duties and excise) compliance of the applicant and any persons associated with the applicant;
- nature and amount of any other Government assistance being sought or received by the applicant; and,
- nature of any benefits arising to rural communities through the activity.

These guidelines are designed to help implement this cost/benefit analysis in a **simple, timely and consistent way**. They should also assist prospective applicants in determining their eligibility.

### **3.0 Guiding Principle – ‘Revenue forgone is in the National Interest’**

**Benefits to the national interest** - In assessing how an investment may benefit the 'national interest', the Minister of Finance will consider how the investment contributes to development and economic growth. As a rule, economic growth is best fuelled by businesses competing on a level playing field, without exemptions. Exemptions that undermine competition among businesses in related activities are not generally beneficial. Consequently, the Minister of Finance will in general only consider investments with significant likely spillover benefits (or "positive externalities").

Important spillover benefits from an investment could include:

- Increased employment opportunities for Solomon Islanders. For the purposes of these provisions, the Minister of Finance has determined that at least 5 full time sustainable new jobs must be created for Solomon Islanders;
- Increased export of goods produced or manufactured in the Solomon Islands;
- Improved infrastructural assets for the country, at least 20% of which must be for the benefit of the community and available for continuous public use; and
- Increased taxation payments, either directly or indirectly for the investment, to Government within 5 years of the commencement of the investment activity.

**Cost of the exemption to the Government and the Economy** – goods tax exemptions cost government revenue which is then not available to the Government for use elsewhere in the economy. In addition, they create distortions in the economy by discouraging businesses or sectors of the economy that do not receive exemptions. In assessing the costs of the exemption, the Minister of Finance will consider both the revenue costs and also the likely costs to the economy.

The Applicant will need to provide the Minister of Finance with detailed information and evidence supporting the costs and benefits outlined in respect of the proposal. This could include: Copies of any cost benefit proposal; Feasibility studies and project plans; Finance costing and cost of capital; Cash flow forecasts, together with sensitivity analysis on information; and Details of any resource planning or other consent applications sort.

**Government revenue compliance history** - The Minister of Finance will consider the revenue compliance (both with IRD and Customs) history of the applicant and any persons associated with the application. In general terms the Minister of Finance must be satisfied that the applicant has met its taxation, duty and excise obligations, or if it is a new taxpayer, will meet its future obligations. In addition to demonstrating a good customs compliance history, these include lodging returns by the due date, paying any outstanding taxation in a timely manner, correctly accounting for any PAYE or Goods Tax, and filing an accurate annual Income tax return containing all assessable income and correctly deductible expenses.

**Total Cost to Government** - Total amount of fiscal assistance being provided by the Government through these and other incentive provisions, and how that cost compares to the total investment by the investor, and the likely benefits that will be received must be considered. The precedent created by any decision and the wider impacts of the decision on others operating in that industry, or any related industry must be taken into account.

**Sustainability** - In assessing the sustainability of the benefits of an investment and the costs of exemption, the Minister of Finance will also consider whether the business and the spillover benefits it provides are likely to continue.

In respect of any application for the extraction of natural resources or forestry, the Commissioner must have regard to the impact on the environment and in particular, in the case of forestry extraction how reforestation is to occur.

**Non-Transferable** - Exemptions are only available to the applicant for the project nominated in the application and can not be transferred to any other project or person.

**Term of Exemption** - all exemptions granted shall be for a prescribed period. In assessing such period the Minister of Finance shall have regard to the forgoing principles. No exemption shall, unless specified by Statute, be for a period of more than 6 months.

**Transparency and Accountability** - the Minister of is required to table in Parliament and publish in the Gazette the following information in respect of any exemptions granted:

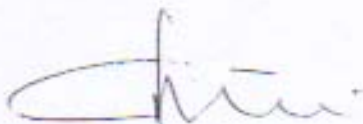
- Name and address of the investor;
- Nature of their business activity;
- Nature and period of the exemption granted; and
- Reason for granting the exemption.

The Commissioner of Inland Revenue will also publish a copy of information published in the Gazette on a quarterly basis.

#### **4.0 Administrative Process operating under the Act**

To support the decision making processes of the Minister of Finance, the Commissioner of Inland Revenue has established an Exemption Committee to consider and make recommendations to the Minister of Finance on all exemption requests. The Exemption Committee will use these guidelines in considering requests for exemption and advise the Minister of Finance accordingly. The Exemption Committee will also be responsible for:

- Overseeing the proper administration of the scheme
- Designing of Exemption forms, and the education of the public about the new processes;
- Providing summary information to the Minister of Finance on a quarterly basis
- Publication of the detail outlined above, including Gazette notices
- Providing advice to the Minister on amendment to the schedule of statutory exemptions.



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Approved, Hon. Gordon D. Lilo  
(Minister of Finance and Treasury)

13, 06, 2026  
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Date