



**THE INCOME TAX
(AMENDMENT) (NO. 2) ACT
1990**

(NO.15 OF 1990)



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Passed by the National Parliament this twenty-second day of November 1990.

This printed impression has been carefully compared by me with the Bill passed by Parliament and found by me to be a true and correct copy of the said Bill.

A handwritten signature in black ink, appearing to read 'J. Tuhaika'.

*J.M. Tuhaika
Clerk to the National Parliament*

Assented to in Her Majesty's name and on Her Majesty's behalf this sixth day of December 1990.

A handwritten signature in black ink, appearing to read 'G. Lepping'.

*G.G.D. Lepping
Governor-General*

Date of commencement: see section 1.

AN ACT to Amend the Income Tax Act.

ENACTED by the National Parliament of Solomon Islands.

THE INCOME TAX (AMENDMENT) (NO. 2) ACT 1990

ARRANGEMENT OF SECTIONS

Section:

1. Short title and commencement.
2. Insertion of new Parts IIA in Cap. 61.
3. Repeal of sections 11, 11A and the Third Schedule.
4. Transitional provisions.
5. Provisions of sections 14, 14A and 32 shall not apply to approved enterprises.
6. Insertion of Tenth and Eleventh Schedules.
7. Prevention of double allowance.

SCHEDULE

TENTH SCHEDULE

ELEVENTH SCHEDULE

1. This Act may be cited as the Income Tax (Amendment) (No.2) Act 1990, and shall come into operation on such date as the Minister may appoint, by notice published in the Gazette.

Short title and commencement.

2. The Income Tax Act (hereinafter referred to as the "principal Act") is hereby amended by inserting therein next after Part II the following new Part as Part IIA -

Insertion of new Part IIA in Cap. 61.

"PART IIA
INVESTMENT INCENTIVES

Exemptions from income tax. 11B. (1) The Commissioner on the recommendation of the Board may exempt from income tax the profits and income of any approved enterprise for the period specified in the certificate of approval.

Tenth Schedule. (2) Subject to the provisions of section 15 of the Investment Act, the extent and the period of the tax exemption referred to in subsection (1) shall be to the extent and period calculated in accordance with the formula specified in the Tenth Schedule.

(3) Where an approved enterprise referred to in subsection (1), satisfies the requirements specified in section 9 of the Investment Act, the Board may recommend to the Commissioner to grant such approved enterprise a further tax exemption for a period not exceeding five years

Eleventh Schedule.	enterprise referred to in subsection (1), the exemptions set out in the Eleventh Schedule as appropriate to the particular investment, either in full or to such modified extent upon such terms and conditions as the Board may recommend.
Commissioner may withdraw exemptions.	11E. Any exemptions granted under this Part may be withdrawn by the Commissioner on the direction of the Board made in accordance with section 15 of the Investment Act.
Exemptions from withholding tax.	<p>11F. Notwithstanding the provisions of sections 32A, 33, 33A, 34 and the Seventh Schedule -</p> <p>(a) no withholding tax shall be payable on any dividend paid to any shareholder of any approved enterprise on accumulated profits during the period of the tax exemption and a further period of five years thereafter, provided that the total amount of dividends paid to such shareholders do not exceed the investment; and</p> <p>(b) the interest paid by an approved enterprise in respect of any money borrowed from a financial institution and employed in the production of income and profits shall not</p>

company or a Solomon Islands company, as the case may be, that is exempted from tax under the repealed sections, shall continue to enjoy the benefits granted to such company during the specified period.

(2) In this section "specified period" means the tax exemption period or the pioneer relief period, as the case may be.

5. The provisions of sections 14, 14A and 32B of the principal Act shall not apply to any approved enterprise in calculating the profit and loss of that enterprise.

Provisions of sections 14, 14A and 32 shall not apply to approved enterprises.

6. The principal Act is hereby amended by inserting therein next after the Ninth Schedule the new Schedules set out in the Schedule to this Act as the Tenth and Eleventh Schedules respectively.

Insertion of Tenth and Eleventh Schedules.

7. When any exemption is made under this Part in respect of any approved enterprise, in computing its gains or profits, no further deduction or benefit to the extent permitted shall be made under any other Part or under any other provisions of the principal Act in respect of that investment in ascertaining the total income of that approved enterprise for the same or any subsequent years within the tax exemption period.

Prevention of double allowances.

"SCHEDULE
TENTH SCHEDULE
(section 11B)

PART I
TAX HOLIDAYS

	Enterprise	Tax holiday period
1.	Enterprises whose local value added in respect of the approved products amount to 75% or more of the value of ex-factory sales of products.	6 years
2.	Enterprises whose local value added in respect of the approved products amount to 50% or more but less than 75% of the value of ex-factory sales of the products.	5 years
3.	Enterprises whose local value added in respect of the approved products amount to 40% but less than 50% of the value of ex-factory sales of the products.	4 years
4.	Enterprises whose local value added in respect of the approved products amount to 25% or more but less than 40% of the value of ex-factory sales of the products.	3 years
5.	Enterprises which involve a capital investment of not less than \$10 million irrespective of their local value added.	5 to 10 years

PART II
LOCAL VALUE ADDED CALCULATION

Total Ex-factory sales	\$	(1)
) Payments made in respect of -		
1. Import cost of raw materials, fuel, components, imported content of locally produced components		
2. Salaries and wages to non-residents	\$	
3. Profits and dividends to non-residents	\$	
4. Loan interest	\$	
5. Management fees	\$	
6. Royalties	\$	
7. Licence	\$	
8. Professional fees	\$	
9. Other Payments (Specify)	\$	
	\$	(2)
) Depreciation of imported plant, machinery, equipment and spare parts	\$	
Total Deductions (A + B)	\$	(3)
Balance (1-3)	\$	(4)
Local value added = $\frac{(4)}{(1)} \times 100$		

PART III
TAX RELIEF ON EXPORT PROFITS

Local value added	Extent of Tax Relief on Export Profits	Years
5% and over	100%	6
10% and under 75%	100%	5
15% and under 50%	100%	4
20% and under 40%	100%	3
30% export oriented		

ELEVENTH SCHEDULE
(section 11C)

PART I
TOURIST HOTELS, RESORTS AND OTHER TOURIST
ORIENTED PROJECTS

1. (1) There shall be exempt from income tax, the profits and income for a period of five years, accruing to any approved enterprise operating -

- (a) tourist hotels of three hundred or more bedrooms;
- (b) tourist resorts of fifty or more bedrooms; or
- (c) other tourist oriented projects,

which are approved by the Board as qualifying for the grant of tax exemptions.

(2) The tax exemption of five years referred to in paragraph (1) shall be calculated from the date on which such approved enterprise commenced to trade.

2. (1) In addition to the tax exemptions on the profits and income of an approved enterprise qualifying under sub-paragraph (1) of paragraph 1, such approved enterprise shall be entitled to -

- (a) a fifty per cent depreciation of capital expenditure (excluding land) against annual chargeable income until claimed in full;
- (b) a one hundred and fifty per cent tax deduction for expenses incurred in overseas promotion programmes conducted with the prior approval of the Commissioner.

(2) The benefits referred to in sub-paragraph (1) shall not be available to an approved enterprise in respect of which an order under section 14(8) has been made by the Minister.

3. Subject to the provisions of this Part, where any tourist hotel or resort in operation at the date of commencement of this Act, satisfies the Board that such tourist hotel or resort has on or after 1st January, 1989, incurred capital expenditure in respect of any expansion, additional construction or renovation, such tourist hotel or resort shall be entitled to claim from the Commissioner the exemptions set out in paragraphs 1 and 2(1)(a) of this Schedule.

Any approved enterprise engaged in the operation of tourist vessels built locally shall be entitled to write off fifty per cent of the cost of the vessel.

PART II TAX RELIEF ON EXPORT PROFITS

(1) Subject to the provision of sub-paragraph (2), there shall be exempt from income tax for a period of three to six years from the date on which a company made its first export of-

- (a) manufactured or processed goods;
- (b) fresh seafood; or
- (c) fresh agricultural produce,

in which part of the profits and income of that company as consists of the export profits and income.

(2) The provisions of sub-paragraph (1) shall not be available to an approved enterprise granted tax exemptions under section 11B based on the local value added scheme.

(1) An allowance equal to one hundred and fifty per cent of any sum expended by any company in the promotion and marketing of exports shall be deducted for the purpose of ascertaining the profits or income from exports, provided such promotion was conducted with the prior approval of the Commissioner.

(2) In ascertaining the sum expended in the promotion and marketing of exports, the Commissioner shall take into consideration the costs incurred in -

- (a) researching foreign markets;
- (b) marketing and testing of potential products in target markets abroad;
- (c) travelling overseas for the purpose of conducting promotion exercises;
- (d) testing of products by approved overseas agencies;
- (e) advertising in overseas markets and publications;
- (f) distributing promotional literature overseas;
- (g) participating in trade fairs, trade missions and missions of a similar character; and
- (h) providing free samples to clients overseas which are not returnable to Solomon Islands.

PART III
AGRICULTURE, FORESTRY, ANIMAL HUSBANDRY
AND FISHERIES

7. (1) Any approved enterprise engaged in the business of -
- (a) agricultural production or export of agricultural produce;
 - (b) dairy farming;
 - (c) goat farming;
 - (d) beef production;
 - (e) reforestation; or
 - (f) fisheries, off-shore or deep-sea fishing,

shall be entitled to claim exemption from income tax in respect of its income and profits for a period of five years out of any ten years from the date of commencement of commercial production.

(2) Subject to the provisions of this Part, where any approved enterprise engaged in any business sector referred to in subparagraph (1) satisfies the Board, that such approved enterprise has on or after the 1st day of January, 1989, incurred capital expenditure in expanding its existing business or project, such approved enterprise shall be entitled to claim from the Commissioner the exemptions from income tax in respect of its income and profits for a period of five years out of any ten years.

PART IV
FACTORY CONSTRUCTION

8. Any approved enterprise that has on or after the 1st day of January, 1989, constructed or engaged in an expansion of its factory space by five percent or over for its own use shall be entitled to write off as depreciation forty percent in the first year and five percent per annum thereafter.

PART V
OTHER INCENTIVES

9. An approved enterprise may in addition to the incentives provided for in Parts I, II, III and IV claim -
- (a) double deduction for tax purposes where the company incurs expenditure for bona fide sponsored apprentices attending Solomon Islands College of Higher Education courses and other approved trade, technical or supervisory

- (b) double deduction for tax purposes where the company incurs expenditure on professional training for bona fide sponsored higher education courses locally and overseas; and
- (c) a one hundred and fifty percent tax deduction of costs incurred by the producer in inter-province transport of raw materials and qualifying products''.

