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**CUSTOMS AND EXCISE ACT
(CAP. 121)****REVENUE AND CUSTOMS EXEMPTION COMMITTEE
NON-STATUTORY EXEMPTIONS REGULATIONS 2013**

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**CUSTOMS AND EXCISE (REVENUE CUSTOMS EXEMPTION
COMMITTEE – NON-STATUTORY EXEMPTIONS)
REGULATIONS 2013**

IN exercise of the powers conferred upon me by section 275 of the Customs and Excise Act (Cap.121), section 114 of the Income Tax Act (Cap.123), section 78 of the Goods Tax Act (Cap.122), section 31 of the Sales Tax Act (Cap.125) and section 30 of the Stamp Duties Act (Cap.126), I hereby make the following Regulations.

Part 1 – Preliminary

1. Citation

These Regulations may be cited as the Customs and Excise (Revenue and Customs Exemption Committee – Non-Statutory Exemptions) Regulations 2013.

2. Commencement

These Regulations commence on a day appointed by the Minister, by notice in the *Gazette*.

3. Interpretation

In these Regulations –

“Revenue and Customs Exemption Committee” (hereinafter referred to as “the Exemption Committee”) means the Committee established under section 8(A) of the *Customs and Excise Act (Cap.121)*;

“qualifying application” means an application for exemption that satisfies all qualification criteria specified in Part 2 and complies with all requirements specified in the Act;

“Secretary” means the Secretary of the Exemption Committee designated under section 8A(3) of the *Customs and Excise Act (Cap.121)*.

4. Objective of Regulations

The primary objective of these Regulations is to specify the guidelines to be followed by the Exemption Committee in assessing and advising on applications for exemptions.

Part 2 – Exemption qualification criteria**Division 1 Qualification criteria must be satisfied****5. Application**

This Part applies to all applications for exemption submitted to the Exemption Committee.

6. Minimum requirements for application

- (1) An application for exemption submitted to the Exemption Committee must satisfy all qualification criteria specified in this Part and comply with all requirements specified in the relevant Act.
- (2) If an application does not satisfy all criteria, the Secretary shall by written notice inform the applicant that the criteria have not been satisfied, within 5 working days of receiving the application.

Division 2 General qualification criteria**7. Form of application**

- (1) An application for exemption must be on the appropriate form, as specified in the Schedule and approved by the Exemption Committee.
- (2) An application form must be fully completed and signed by the applicant or applicants.
- (3) An application for exemption must include the formal agreement by the applicant or applicants that information concerning the application for exemption may be made public as required by the Act and related Regulations.

- (4) An application for exemption must include appropriate documentary evidence that will allow the Exemption Committee to make an informed assessment of the application.
- (5) An application for exemption from the not-for-profit sector must include documentary evidence of the source of funds (the donor) and the project to which they are to be applied.

8. Timing of application lodgement

An application for exemption must be lodged with the Secretary at the earlier of a time:

- (a) no more than six months after the commencement of business operations if it is limited to an exemption application under section 9 of the Income Tax Act (Cap.123), or
- (b) at least two months prior to undertaking any activity for which an exemption is otherwise sought.

9. Taxpayer compliance history

- (1) An applicant and persons associated with the project, investment or transaction for which an exemption is sought must –
 - (a) have a demonstrated good history of compliance with tax, duty and excise obligations;
 - (b) in the case of applicants that have not been previously liable to pay tax, duty or excise in Solomon Islands, have the capacity to meet future obligations; or
 - (c) in the case of applications by not-for-profit organisations (including religious, charitable, benevolent and educational institutions), the applicant must be of good national or international standing.

- (2) A good history of compliance will be demonstrated by (but not limited to) –
- (a) consistent lodgement of returns by their due date;
 - (b) consistent payment of all tax, duty and excise on time, or making arrangements for instalments before the due date;
 - (c) consistently accounting for PAYE, Goods Tax, Sales Tax and withholding taxes correctly;
 - (d) consistently lodging accurate income tax returns containing full details of income chargeable to tax and allowable deductible expenses; and
 - (e) any other legal compliance requirement imposed by the Customs and Excise Division or the Inland Revenue Division.
- (3) The national standing of a not-for-profit organization will be demonstrated by:
- (a) evidence that the organization has a constitution and a permanent office in Solomon Islands;
 - (b) evidence that the organization operates on a strictly not-for-profit basis; and;
 - (c) evidence of a good history of compliance with any taxes, duties and excises payable by the organization (including PAYE obligations).

10. Necessity of public support

An application for exemption shall be for a project, investment or transaction that would be unable to profitably proceed without public support in the form of a tax or duty exemption.

11. Excluded items

Applications shall not include requests for an exemption for any of the following items –

- (a) goods purchased for resale;
- (b) consumable items to be used in the normal course of business, including, but not limited to, fuel, oil, lubricants and spare parts;
- (c) road vehicles which are to be used wholly or partly for private purposes; or
- (d) goods for private use

Division 3 Specific qualification criteria**12. qualifying capital inputs under the Customs and Excise Act**

Applications by virtue of the Customs and Excise Act for exemption from import duty on capital goods shall be limited to capital goods that will be used –

- (a) in a new business commencing operations in Solomon Islands;
- (b) to modernize or expand existing business operations in Solomon Islands; or
- (c) in rural community development.

13. Excluded items under the Customs and Excise Act

Applications by virtue of the Customs and Excise Act shall not include requests for an exemption for any of the following items –

- (a) goods eligible for exemption under any other statutory exemption items in the First Schedule of the Act (other than the vehicles for doctors scheme);
 - (b) goods excluded under the terms of the relevant item of the First Schedule of the Act under which the exemption is being claimed.
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14. Qualifying capital inputs under the Goods Tax Act

Applications for exemption under section 37 of the Goods Tax Act from goods tax on capital goods must be limited to capital goods that will be used –

- (a) in a new business commencing operations in Solomon Islands;
- (b) to modernize or expand existing business operations in Solomon Islands;
- (c) in rural community development;
- (d) in the replacement of buildings or plant and equipment proven to have been lost or destroyed in an area that has been the subject of a Ministerial Order that a state of disaster exists in all or part of Solomon Islands in accordance with section 12 of the National Disaster Council Act (Cap.148); or
- (e) in the development or enhancement of tourism operations in Solomon Islands.

15. Excluded items under the Goods Tax Act

Applications shall not include request for an exemption –

- (a) for goods eligible for statutory exemption under section 37 of the Goods Tax Act (Cap.122), as specified in the First Schedule; or
- (b) by a person who has failed to register for Goods Tax despite being required to do so under section 6 of the Act.

16. Excluded items under the Income Tax Act

Applications by virtue of the Income Tax Act (Cap.123) shall not include requests for an exemption from tax on income eligible for a statutory exemption under section 16 of the Act, as specified in the Third Schedule.

17. Additional information for applications made under the Income Tax Act

- (1) Applications made under section 9 of the Income Tax Act (Cap.123) must, in addition to the supporting information required in the form of application, include the supporting documentation set out in subsection 9(4) of the Act.
- (2) Applications made under Part III of the Act, must include evidence of local value added in production or an estimation of time to recover costs of capital, as relevant to the specific application.

18. Excluded items under the Stamp Duties Act

Applications by virtue of the Stamp Duties Act (Cap.126) shall not include requests for an exemption from stamp duty on documents that are eligible for any of the statutory exemptions set out in the Schedule to the Act.

Part 3 National interest assessment**Division 1 Requirement to assess applications and report findings****19. Application**

This Part applies to all applications for an exemption made to the Exemption Committee that satisfy all qualification criteria specified in Part 2 and are compliant with all requirements specified in the Act.

20. Requirement to assess qualifying applications

- (1) The Exemption Committee will not recommend that an exemption be granted to a proposed project, investment or transaction unless the Exemption Committee assesses that –
 - (a) the project, investment or transaction will further the National Interest; and
 - (b) the economic benefit of the proposed project, investment or transaction to Solomon Islands exceeds the economic cost, including but not limited to the revenue foregone if an exemption were granted.
- (2) The Exemption Committee will report the findings of its assessment under (1) in its report and recommendation to the Minister on whether or not an exemption should be granted.

Division 2 General assessment of National Interest**21. Factors furthering the National Interest**

In assessing whether a proposed project, investment or transaction would further the national interest, the Exemption Committee will have regard (but not limited) to the positive effect of –

- (a) the contribution to economic growth, particularly in rural areas;
- (b) the contribution to the national development goals for Solomon Islands;

- (c) consistency with Government development and growth strategies;
- (d) the replacement of business assets in areas that have been the subject of a ministerial order that a state of disaster exists in all or part of Solomon Islands in accordance with Section 12 of the *National Disaster Council Act (Cap.148)*;
- (e) increased employment opportunities for Solomon Islanders, including:
 - (i) the creation of a substantial number of new jobs;
 - (ii) a contribution to diversity in the job market;
 - (iii) the creation of jobs in rural areas;
- (f) the contribution to the export of goods produced or manufactured in Solomon Islands;
- (g) the contribution to infrastructure assets in Solomon Islands, particularly in rural areas;
- (h) the potential contribution to increased tax, duty or excise revenue in the medium to long term (5–10 years);
- (i) the contribution to income/profit distributed in rural communities;
- (j) the contribution to the overall wellbeing of citizens of Solomon Islands, rather than just an individual, association or family;
- (k) the contribution to incoming tourism or tourism infrastructure in Solomon Islands; and
- (l) the sustainability of the organizations and business activity associated with the project, investment or transaction.

22. Factors detracting from or limiting contribution to the National Interest

In assessing whether a proposed project, investment or transaction may detract from the national interest (or make only a limited contribution), the Exemption Committee shall have regard, but not limited, to –

- (a) whether the proposed project, investment or transaction requires public support through an exemption to be viable;
- (b) distortionary effects, including discouraging or disadvantaging business or sectors that have not been granted an exemption;
- (c) the cost to revenue, particularly in the short term;
- (d) other forms of government or donor assistance provided, including other concessionary tax or duty arrangements;
- (e) environmental costs (taking account of credible commitments to counter these and restore the environment); and
- (f) social costs.

Division 3 Assessment of economic benefits and costs**23. Economic benefits**

In assessing the economic benefits and costs of a proposed project, investment or transaction, the Exemption Committee will consider as benefits –

- (a) the after-tax profit accruing to residents of Solomon Islands excluding any profit that is remitted or potentially remitted directly or indirectly to a foreign resident;
- (b) for not-for-profit applicants, the value of the contribution to the overall wellbeing of citizens of Solomon Islands; and
- (c) the direct after-tax value (net wages, salary and other quantifiable benefits) or additional employment in Solomon Islands; and
- (d) additional revenue to Solomon Islands Government.

24. Economic costs

In assessing the economic benefits and costs of a proposed project, investment or transaction, the Exemption Committee shall consider as costs –

- (a) the cost to revenue of providing an exemption;
- (b) other forms of Government assistance provided, including (but not limited to) other concessional tax and duty arrangements;
- (c) readily quantifiable distortionary effects, including discouraging or disadvantaging businesses or sectors that have not been granted an exemption; and
- (d) the cost of restoring any impact on the environment in Solomon Islands (taking account of credible commitments to counter these and restore the environment).

Part 4 Exemption conditions

Division 1 Universal conditions

25. Application

This Part applies to all applications for exemption that the Exemption Committee recommends should be granted.

26. Conditions to be recommended for all exemptions

Where the Exemption Committee recommends that an application for exemption should be granted, the Committee will include in its recommendation that –

- (a) the exemption be non-transferable, available only to the applicant for the project, investment or transaction named in the exemption order;
- (b) the exemption be granted for a prescribed period, consistent with the legislation under which the exemption is granted;
- (c) the exemption be conditional on the applicant and persons associated with the project, investment or transaction for which an exemption is granted:
 - (i) continuing to comply with tax, duty and excise obligations; and
 - (ii) complying with all reasonable activities undertaken (including inspection and audit) to ensure the exemption conditions are not breached; and
- (d) the exemption be subject to satisfactory inspections and audits of the use of an exemption, as determined by the Exemption Committee.

Division 2 Discretionary conditions

27. Conditions to be recommended at the discretion of the Exemption Committee

Where the Exemption Committee recommends that an application for exemption should be granted, the Committee may included in its recommendation that –

- (a) the exemption be subject to a monetary limit;
- (b) the exemption be subject to regular, ongoing progress reports by the recipient to the Exemption Committee including evidence:

- (i) to demonstrate the exemption has been utilized for the purpose stated in the application;
- (ii) to demonstrate that legislative requirements and conditions are being satisfied; and
- (iii) if a monetary limit has been recommended, of the outstanding balance;
- (c) the exemption be granted in full or part, applying only:
 - (i) to parts of a project, investment or transaction;
 - (ii) to specified goods or types of goods;
 - (iii) to specified industries or sub-industries; or
 - (iv) as otherwise specified by the Exemption Committee; and
- (d) the exemption be subject to other specified conditions that the Exemption Committee considers appropriate.

Division 3 Specific conditions

28. Specific conditions to be recommended under the Customs and Excise Act

Where the Exemption Committee recommends that an application for exemption from duty should be granted, the Committee will include in its recommendation that the exemption be granted for a specified period, of no longer than 12 months.

29. Specific conditions to be recommended under the Goods Tax Act

Where the Exemption Committee recommends that an application for exemption from Goods Tax should be granted, the Committee will include in its recommendation that the exemption be granted for a specified period, of no longer than 12 months.

30. Specific conditions to be recommended under the Income Tax Act

Where the Exemption Committee recommends, in accordance with section 16 of the Act, the addition of specified income or class of income to the statutory exemptions set out in the Third Schedule to the Act, the recommendation is to be specific as to the extent and period of the exemption and any other conditions to be imposed.

Part 5 Transparency and accountability**Division 1 Release by the Minister****31. Application**

This Part applies to all applications for exemption.

32. Release of information by the Minister

In accordance with section 8(1) of the Act, the Minister is required to publish in the *Gazette* at the end of every period of 3 months, details of exemptions granted during that period. This will include (but not be limited to) the:

- (a) name and address of recipients of exemptions;
- (b) nature of the recipients business activity;
- (c) nature and period of the exemption granted;
- (d) reason for granting the exemption; and
- (e) the value or cost to the revenue of the exemption.

Division 2 Release by the Exemption Committee**33. Release of information by the Exemption Committee**

- (1) The Exemption Committee shall provide annual information to the Public Accounts Committee on the nature and cost of all tax and duty exemptions granted in the previous fiscal year.
- (2) The information provided by the Exemption Committee will not include names or other means of identifying individual recipients.

Division 3 Release by others**34. Release of information by the Comptroller of Customs and Excise**

The Comptroller of Customs and Excise shall publish a copy of the information about exemption from import or export duty that is published in the *Gazette* by the Minister.

SCHEDULE
(regulation 7(1))

APPLICATION FORM

Solomon Islands Exemptions Committee

NON-STATUTORY EXEMPTION APPLICATION FORM

This form must be used to apply for various discretionary exemption from taxes and duties administered by the Solomon Islands Customs and Excise Division and the Solomon Islands Inland Revenue Division. This form is not required to access statutory exemptions (provided by law).

Applications for exemptions are considered by the Revenue and Customs Exemption Committee, which provides recommendations to the Minister of Finance and Treasury. Exemptions can be granted by the Minister in full, part, or not granted, consistent with the recommendations of the Committee. The Committee hereby specifies that this form is the appropriate form to be used to apply for exemptions, consistent with regulation 7(1) of the Customs and Excise (Revenue and Exemptions Committee) Regulations 2013.

Conditions attached to exemptions that are granted must be complied with. Information concerning the details of exemptions that have been granted will be published quarterly, including the names of recipients, nature of business activity and the nature and period of the exemption.

An application will not be considered unless it has been lodged at least two months prior to the activity for which an exemption is sought, except applications under section 9 of the Income Tax Act, which must be lodged within 6 months of the commencement of business operations.

Exemption applications must be on this form and pages 1 – 5 must be fully completed, as well as the relevant attachment(s) from A1 – A6. Additional documents may also be required to assess an application. Guidance is provided to assist applicants on each page and a summary of the exemptions process and requirements is provided at the end of this form.

EXEMPTION APPLICATION FORM	
PART A:	DETAILS OF PERSON APPLYING FOR EXEMPTION
Name:	.....
Address:	.....

Telephone:	.....
Fax:	.....
E-Mail Address:	.....

PART B.	DETAILS OF ORGANIZATION OR BUSINESS TO BE CONSIDERED FOR EXEMPTION
Organization Name:	.....
Business or Trade Name:	.....
Date of Registration with Registration of Companies:	.....
Certificate of Registration Number:	.....
Commencement Date of Business Activities:	.....
Business Address:	.....

Nature of Business:	.....
Sector/Industry:	.....
Is the organization a not-for-profit agency?:	Yes / No
Is the organization registered for goods tax?:	Yes / No
Company Shareholder(s):	..... Share:%
	..... Share:%
	..... Share:%
	..... Share:%

- Additional Information/Requirements:**
1. Attach a copy of the Certificate of Incorporation.
 2. If the organization is a not-for-profit agency, attach documents demonstrating it is of good national or international standing. This will include evidence:
 - a. that the organization has a constitution and a permanent office in Solomon Islands;
 - b. that the organization operates on a strictly not-for-profit basis; and;
 - c. of a good history of compliance with any taxes and duties payable by the organization (including PAYE obligations).
 3. if the organization is a not-for-profit agency, attach documentary evidence of the source of funds (donor) and the details of the not-for-profit project.

EXEMPTION APPLICATION FORM

PART C: COMPLIANCE HISTORY OF ORGANIZATION

Taxpayer Identification Number (TIN):

Name and address of tax agent or accountant:

Total number of current employees:

Total annual value of current employee wages:

State liability and tax/duties paid in the past four years:

Year:	
	Liability	Paid	Liability	Paid	Liability	Paid	Liability	Paid
Import duty								
Export duty								
Goods tax								
Sales tax								
Provisional tax								
Income tax								
Stamp duties								
PAYE								
Withholding tax								
Vehicle licences								

If full tax or duty liability has not been paid in one or more of the past four years, explain why:

.....

.....

.....

Additional Information/Requirements:

1. Attach copies of documents demonstrating consistent, accurate accounting for taxes and duties.

EXEMPTION APPLICATION FORM

PART D: EXEMPTION APPLICATION INFORMATION

Indicate which taxes and duties for which an exemption is requested, the value of each exemption and the period over which it will apply:

Tax/Duty	<input checked="" type="checkbox"/>	Value	Period (dates from – to)
Import duty	<input type="checkbox"/>		
Export duty	<input type="checkbox"/>		
Stamp duty	<input type="checkbox"/>		
Goods tax	<input type="checkbox"/>		
Sales tax	<input type="checkbox"/>		
Income tax	<input type="checkbox"/>		
Total			

When is the project, investment or transaction expected to commence?

Describe the project, investment or transaction for which an exemption is requested:

.....

Explain why the project, investment or transaction would be unable to profitably proceed without an exemption (see additional information below):

.....

Does the application include exemptions for any excluded items (see list below)? Yes / No

Additional Information/Requirements:

1. For each tax/duty an exemption is requested for, complete and include the relevant attachment (A1-A6).
2. An application cannot be for a project, investment or transaction that would be able to profitably proceed without public support. An exemption for such a purpose would increase private profit at the cost of public revenue.
 - a. Attach the business case or other documents that demonstrate that public support is necessary.
3. Excluded items include the following:
 - a. goods purchased for resale;
 - b. consumable items to be used in the normal course of business, including, but not limited to, fuel, oil, lubricants and spare parts;
 - c. road vehicles which are to be used wholly or partly for private purposes; and
 - d. goods for private use.

EXEMPTION APPLICATION FORM

PART E: NATIONAL INTEREST ASSESSMENT

Total value of exemption requested (revenue to be foregone):

Have exemptions previously been granted for the project, investment or transaction? Yes / No

If so, provide the following details:

Order number:

Date of order:

Revenue foregone:

Describe the nature and value of any other public assistance previously or currently received:

State how the exemptions applied for would further the National Interest (see additional information below):

State how the project, investment or transaction will be financed:

If private financial commitments are to be made to counter any environmental impact of the project, investment or transaction, describe their nature:

Additional Information/Requirements:

1. A list of factors that are regarded as relevant in assessing whether a project, investment or transaction furthers the National Interest is specified by Regulation. These are reproduced at the end of this form.

EXEMPTION APPLICATION FORM

PART F: NATIONAL INTEREST ASSESSMENT: BENEFITS AND COSTS

Estimate the following:

- Profit of the project:
- Profit of the project accruing to Solomon Island residents:
- If the project is not-for-profit, value of the project:
- Number of additional positions (employment) in Solomon Islands:
- Value of wages from these additional positions:
- Additional Government revenue arising directly from the project:
- Value of other forms of public assistance for the project:
- Effect of the exemption on profit of competitors:
- Restoring the environmental impact of the project:
- Private financial commitments to counter environmental impacts:

Additional Information/Requirements:

1. Attach documents that support the estimates provided in this Part.
2. If the project is ongoing, estimate the benefits and costs over the first ten years of the project.

PART G. DECLARATION

I (name)

of (address)

declare that:

- the information given in this application including any and all attachments is true and accurate; and
- I agree to the public release of information concerning this application (including information provided in the application) as required by Solomon Islands law.

(Signature)

(date)

EXEMPTION APPLICATION FORM ATTACHMENT A1 - IMPORT DUTY**EXEMPTION DETAILS****Import duty (A1)**

NOTE: Complete and attach this page if the application includes a request for an exemption from import duty. List each item to be imported for which an exemption is sought and whether each is a capital good:

Tariff item	Description	Capital good <input checked="" type="checkbox"/>	Qty	Date of Import	Value	Duty rate

For imports of capital goods, indicate how these may qualify for an exemption (see additional information below):

As inputs to a new business commencing operations in Solomon Islands: Yes / No
 As inputs to modernize or expand existing business operations in Solomon Islands: Yes / No
 Rural community development: Yes / No

Indicate whether the following apply for any items for which a duty exemption is sought (see additional information below):

Goods eligible for exemption under a statutory exemption: Yes / No
 Goods excluded from receiving a duty exemption: Yes / No

Additional Information/Requirements:

1. If exemptions are sought for more items than can be listed in the table above, separately attach the details of the additional items.
2. An application for an exemption from import duty on capital goods must be limited to capital goods that will be used:
 - a. in a new business commencing operations in Solomon Islands;
 - b. to modernize or expand existing business operations in Solomon Islands; or
 - c. for rural community development.
3. An application for an exemption from import duty cannot include any of the following items:
 - a. goods eligible for exemption under a statutory exemption; or
 - b. goods excluded from receiving a duty exemption.

EXEMPTION APPLICATION FORM ATTACHMENT A2 - EXPORT DUTY**EXEMPTION DETAILS****Export duty (A2)**

NOTE: Complete and attach this page if the application includes a request for an exemption from export duty. List each item to be exported for which an exemption is sought:

<u>Tariff item</u>	<u>Description</u>	<u>Qty</u>	<u>Date of Export</u>	<u>Value</u>	<u>Duty rate</u>

Indicate whether the following apply for any items for which a duty exemption is sought (see additional information below):

Goods eligible for exemption under a statutory exemption	Yes / No
Goods excluded from receiving a duty exemption:	Yes / No
Logs or timber liable for export duty:	Yes / No

Additional Information/Requirements:

1. If exemptions are sought for more items than can be listed in the table above, separately attach the details of the additional items.
2. An application for an exemption from duty cannot include any of the following items:
 - a. goods eligible for exemption under a statutory exemption;
 - b. goods excluded from receiving a duty exemption; or
 - c. logs or timber liable for export duty.

EXEMPTION APPLICATION FORM

ATTACHMENT A3 - STAMP DUTY

EXEMPTION DETAILS

Stamp duty (A3)

NOTE: Complete and attach this page if the application includes a request for an exemption from stamp duty. List each item for which an exemption is sought:

<u>Description</u>	<u>Qty</u>	<u>Date of execution</u>	<u>Value</u>	<u>Tax rate</u>

Indicate whether the following apply for any items for which an exemption is sought (see additional information below):

Documents eligible for exemption under a statutory exemption: Yes / No

Additional Information/Requirements:

1. If exemptions are sought for more items than can be listed in the table above, separately attach the details of the additional items.
2. An application for an exemption for stamp duty cannot include documents eligible for exemption under a statutory exemption.

EXEMPTION APPLICATION FORM

ATTACHMENT A4 - GOODS TAX

EXEMPTION DETAILS

Goods tax (A4)

NOTE: Complete and attach this page if the application includes a request for an exemption from goods tax. List each item for which an exemption is sought:

<u>Description</u>	<u>Qty</u>	<u>Date of purchase or import</u>	<u>Value</u>	<u>Tax rate</u>

Indicate whether the following apply for any items for which an exemption is sought (see additional information below):

Goods eligible for exemption under a statutory exemption: Yes / No
 Is the organization registered for goods tax? Yes / No
 Is the organization required to be registered for goods tax? Yes / No

Additional Information/Requirements:

1. if exemptions are sought for more items than can be listed in the table above, separately attach the details of the additional items.
2. An application for an exemption from goods tax on capital goods must be limited to capital goods that will be used:
 - a. in a new business commencing operations in Solomon Islands;
 - b. to modernize or expand existing business operations in Solomon Islands;
 - c. for rural community development; or
 - d. as replacement buildings or plant and equipment proven to be lost in certain natural disasters (as specified by regulation).
3. An application for an exemption from goods tax cannot include goods eligible for exemption under a statutory exemption.
4. An application for an exemption from goods tax cannot be made by a person who has failed to register for goods tax, despite being required to do so.

EXEMPTION APPLICATION FORM

ATTACHMENT A5 - SALES TAX

EXEMPTION DETAILS

Sales tax (A5)

NOTE: Complete and attach this page if the application includes a request for an exemption from sales tax. List each item for which an exemption is sought:

<u>Description</u>	<u>Qty</u>	<u>Date of wholesale</u>	<u>Value</u>	<u>Tax rate</u>

Additional Information/Requirements:

1. If exemptions are sought for more items than can be listed in the table above, separately attach the details of the additional items.

EXEMPTION APPLICATION FORM

ATTACHMENT A 6 - INCOME TAX

EXEMPTION DETAILS

Income tax (A6)

NOTE: Complete and attach this page if the application includes a request for an exemption from income tax. Describe the project, investment or transaction for which an exemption is requested and the associated operations in detail:

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.....
.....
.....
.....
.....
.....

Describe the source and amount of capital employed in the operations:

.....
.....
.....
.....

Indicate whether the following apply for any income for which an exemption is sought (see additional information below):

Income eligible for exemption under a statutory exemption: Yes / No

Additional Information/Requirements:

1. An application cannot include a request for an exemption from income tax on income eligible for a statutory exemption.
2. Attach documentation that shows:
 - a. the extent of local value added in production; or
 - b. an estimation of time to recover the cost of capital.

Exemption Application Form: Summary of process and requirements

This attachment summarizes the exemptions process and a number of the application requirements. The next section outlines the process, including the committee steps and processing timeframes. The list of factors specified by Regulation as relevant to the assessment of National Interest is also included along with a list of documents that are likely to be necessary to attach to an application is provided. Finally, information concerning the information published about each exemption for transparency and accountability is provided.

Process

The Solomon Islands Government established the Exemption Committee to consider and make recommendations to the Minister of Finance on all exemption requests. The Committee follows guidelines prescribed in Regulation when considering requests for exemption. The Committee is also responsible for the following.

- Overseeing the proper administration of the scheme
- Designing and publishing Exemption forms, and the education of the public about the processes for applying, and the criteria against which applications are considered
- Providing summary information to the Minister of Finance on a quarterly basis
- Ensuring the Minister has the information necessary for publication of exemptions, including *Gazette* notices
- Providing advice to the Minister on amendment to the schedule of statutory exemptions

[Insert process of application, including address to send applications.]

The Committee must inform applicants within five working days of receiving an application if further information is required. The Committee may require other information from applicants, or that a person appears to provide further information or make representation on the application.

If an application is not recommended due to lack of information, an applicant may make a new application if further information, not available in the original application, are available. This would not necessarily apply if an applicant withheld relevant information in their original application.

National interest Assessment

The Exemption Committee will not recommend to the Minister that an exemption be granted unless the Exemption Committee assesses that:

- a) the project will further the National Interest; and
- b) the economic benefit of the proposed project to Solomon Islands exceeds the economic cost.

In assessing whether a project will further the National Interest, the Committee will consider the following positive and negative factors.

Positives

- a) the contribution to economic growth, particularly in rural areas;
- b) the contribution to the national development goals for Solomon Islands;
- c) consistency with Government development and growth strategies;
- d) the replacement of business assets in areas that have been the subject of a Ministerial Order that a state of disaster exists in all or part of Solomon Islands in accordance with Section 12 of the National Disaster Council Act (Cap.148);
- e) increased employment opportunities for Solomon Islanders, including:
 - i the creation of a substantial number of new jobs;
 - ii a contribution to diversity in the job market;
 - iii. the creation of jobs in rural areas;
- f) the contribution to the export of goods produced or manufactured in Solomon Islands;
- g) the contribution to infrastructure assets in Solomon Islands, particularly in rural areas;
- h) the potential contribution to increased tax, duty or excise revenue in the medium to long term (5-10 years);
- i) the contribution to income/profit distributed in rural communities;
- j) the contribution to the overall wellbeing of citizens of Solomon Islands, rather than just an individual association or family;
- k) the contribution to incoming tourism or tourism infrastructure in Solomon Islands; and
- l) the sustainability of the organizations and business activity associated with the project, investment or transaction.

Negatives

- a) whether the proposed project, investment or transaction requires public support through an exemption to be viable. (Note It is not in the National Interest to provide an exemption for a project, investment or transaction that does not require public support to proceed. In this case, an exemption simply increases private profit while reducing public revenue).
- b) distortionary effects, including discouraging or disadvantaging businesses or sectors that have not been granted an exemption;
- c) the cost to revenue, particularly in the short term;
- d) other forms of government or donor assistance provided, including other concessionary tax, duty or excise arrangements;
- e) environmental costs (taking account of credible commitments to counter these and restore the environment); and
- f) social costs.

Documents to be attached to Exemption Applications

Copies of all relevant documents are to be attached an exemption application. Documents likely to be relevant include the following.

- Business plan
- Project plan
- Cost-benefit analysis
- Feasibility study
- Financial assessment of project
- Financing plan
- Cash flow forecasts
- Sensitivity analysis of key assumptions
- Details of resourcing commitments
- Other relevant applications
- Prior year tax, duty and excise payment history
- Certificate of registration under the Foreign Investment Act 2005
- [IRD and Customs - other documents?]

Publication of information

The Minister is required to table in Parliament and publish in the Gazette information in respect of all exemptions granted, including the following.

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

MADE AT HONIARA this day of October, 2014.

HON. RICK HOUENIPWELA
Minister for Finance and Treasury

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