

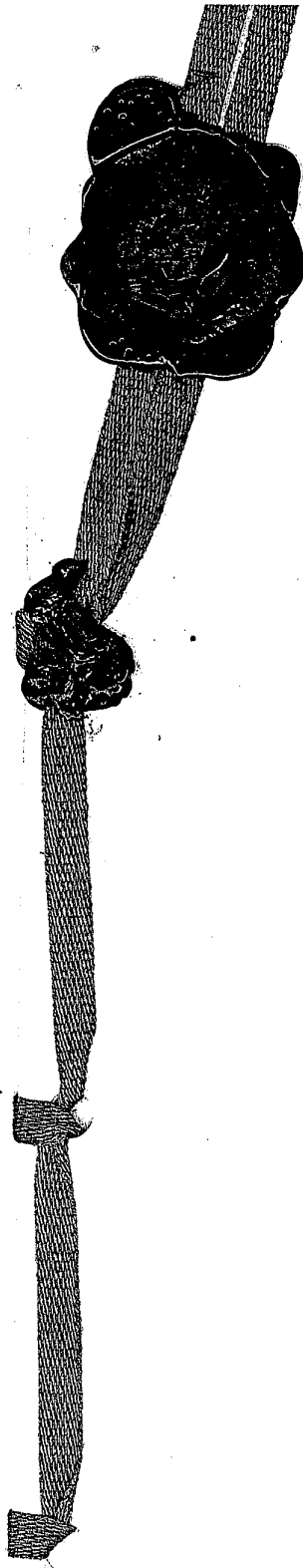
INTRODUCTION FILE

The Income Tax (Am.) (No.2) Bill

(NAME OF BILL)

1996

- CONTENTS: Bill
Objects and Reasons
Notice of Presentation
Covering letter from Minister to Clerk to Parliament
(Authorisation from Minister of Finance under s.60 of Constitution)
- FROM: Attorney General's Chambers *W. G. 21/11/96*
- TO: Minister
(for signing Objects & Reasons, Notice of Presentation and covering letter to Clerk) *25/11/96*
- TO: Minister of Finance
(for signing of letter to Clerk signifying Cabinet approval under s.60 of Constitution) *25/11/96*
- TO: Clerk to National Parliament
(for certificate by Speaker) *25*
- TO: Attorney General's Chambers
(for printing) *W. G. -*
- TO: Clerk to National Parliament
(for reference during 1st, 2nd and 3rd Readings)
(Date passed.....18/12/96. Act No 134/1996)
- TO: Attorney General's Chambers
(for checking before Assent) *W. G. 1/2*
- TO: Governor-General
(for Assent) *12/02/97*




**THE
INCOME TAX
(AMENDMENT) (NO.2)
ACT 1996
(NO. 13 OF 1996)**

THE INCOME TAX
(AMENDMENT) (NO.2)
ACT 1996

(NO. 13 OF 1996)

Passed by the National Parliament this eighteenth day of December 1996.

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.


James Saliga
Clerk to National Parliament

Assented to in Her Majesty's name and on Her Majesty's behalf this twelfth day of February 1997.


Moses Puibangara Pitakaka
Governor-General

AN ACT To Further Amend the Income Tax Act.

ENACTED by the National Parliament of Solomon Islands.

THE INCOME TAX (AMENDMENT) (NO. 2) ACT 1996

ARRANGEMENT OF SECTIONS

Section:

1. Short title and commencement .
2. Amendment of section 14.
3. Amendment of section 15.
4. Amendment of section 34..
5. Amendment of section 36A.
6. Amendment of section 48A
7. Amendment of section 70.
8. Amendment of section 74.
9. Amendment of First Schedule.
10. Amendment of Seventh Schedule.
11. Amendment of Ninth Schedule.

Short title and commencement.

1. This Act may be cited as the Income Tax (Amendment) (No.2) Act, 1996, and shall come into operation on such date as the Minister may appoint by notice published in the Gazette.

2. Section 14 of the Income Tax Act (hereinafter referred to as the "principal Act") is hereby amended by adding immediately after subsection (2) the following new subsection as subsection (2A) -

Amendment of section 14 Cap. 61.

" (2A) Notwithstanding the provisions of subsection (2), the expenditure incurred in respect of interest, royalty and management fees shall only be deductible where withholding tax has been deducted and paid in respect of such income."

3. Section 15 of the principal Act is hereby amended by adding at the end thereof the following new subsection as subsection (3) -

Amendment of section 15.

" (3) Subject to the provisions of section 14(3)(a), in ascertaining the gains or profits of any person for any year, the interest paid by such person on debts including any inter-company loan transactions which in the opinion of the Commissioner exceeds the ratio based upon an arms length competitive third-party transaction at the time the loan was made, and to the extent that the ratio of loan capital to paid up equity does exceed such ratio shall not be deductible for tax purposes."

4. Subsection (2) of section 34 of the principal Act is hereby amended in the following respects -

Amendment of section 34.

(a) by deleting from the definition of "income from contracting" the words "clearing and draining" and substituting therefor the words "clearing, draining or mining";

(b) by deleting the words "insurance premiums" and substituting therefor the words "insurance premiums or premiums on insurance";

(c) in the definition of "lease income"

(i) by deleting the word "or" that appears at the end of subparagraph (a);

(ii) by inserting at the end of subparagraph (b) the word "or"; and

(iii) by inserting immediately after subparagraph (b) the following as subparagraph (c) thereof -

" (c) leasing, chartering or hiring of aircraft;" and

(d) by inserting immediately after the definition of "lease income" the following new definition -

"management services" means any payment made by any person to any other person or entity where such services are rendered wholly or partly in Solomon Islands or outside Solomon Islands for the provision of industrial or commercial information, advice on management, administration, or control in respect of the operations of any company or entity, to the extent that such payments do not constitute -

- (i) emoluments which are liable to the deduction of tax within the Tax Deduction Rules 1981; or
- (ii) reimbursement of travelling or accommodation expenses which are wholly and exclusively incurred in relation to such payment;"

Amendment
of section
36A.

5. Section 36A of the principal Act is hereby amended in the following respects -

(a) by deleting from subsection (1) the words "established under the Local Government Act"; and

(b) by adding after subsection (2) the following as subsections (3), (4) and (5) respectively -

" (3) Any person who intends to carry on a business shall prior to making application for a business licence to any Council obtain from the Commissioner an Inland Revenue number in respect of the intended business.

(4) No Council shall issue a business licence to any person unless such person produces to the Council the Inland Revenue number issued in respect of that business.

(5) In this section "Council" means any Provincial Council, Area Assembly or Council established under the Local Government Act or the Provincial Government Act."

Amendment
of section 48A.

6. Subsection (1) of section 48A of the principal Act is hereby deleted and the following new subsection substituted therefor -

" (1) Where any person carrying on business or any employer in Solomon Islands

(a) fails to make a return for any year in respect of his business as required under this Act;

(b) fails to comply with a notice in writing given to him by the Commissioner under subsections (2), (3) or (4) of section 48, requiring such person to furnish a return of income; or

(c) fails to furnish tax certificates or an annual summary as required under rules 25, 26, 27, 28 and 29 of the Tax Deduction Rules 1981,

the Commissioner may by notice in writing -

(i) impose on such person a penalty of a sum of five hundred dollars; and

(ii) require such person to furnish such return within such period as may be specified in such notice."

7. Subsection (1) of section 70 is hereby amended by deleting the word "20th" and substituting therefor the word "30th".

Amendment of section 70.

8. Section 74 of the principal Act is hereby amended by adding immediately after subsection (3) the following new subsection as subsection (3A) -

Amendment of section 74.

" (3A) Where the commissioner serves notice on such person referred to in subsection (3) in the manner prescribed therein, the Commissioner shall forward a copy of such notice to the Central Bank of Solomon Islands which shall thereupon notify the commercial banks of receipt of such notice and instruct the commercial banks that no foreign exchange remittances be permitted to such person, unless on production of proof that payment to the satisfaction of the Commissioner has been made."

9. The First Schedule to the principal Act is hereby amended by deleting from item 30 the words "and premiums on insurance exempted under section 11 of the Insurance Act."

Amendment of First Schedule.

10. The Seventh Schedule to the principal Act is hereby amended in the following respects -

Amendment of Seventh Schedule.

(a) by adding in item (vi) immediately after the word "premiums" the word "and premiums on insurance";

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(b) by adding in item (viii) after the words "Pole and Line fishermen" the words " or Long line fishermen"; and

(c) by inserting immediately after item (xiii) the following under the appropriate columns -
"(xiv) Management Services 35 cents
in the dollar."

Amendment of
Ninth Schedule.

11. The Ninth Schedule to the principal Act is hereby amended by inserting at the end thereof the following under the appropriate columns -

" (viii) stevedoring services 15 cents.
in the dollar".

