



Solomon Islands  
Customs & Excise Division

# Revenue Mobilization Talanoa for Pacer Plus Signatories Solomon Islands Presentation Apia, Samoa

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# SICED & IRD Solomon Islands managed Revenue Gaps :

1. Tax Exemptions – strive to manage non statutory exemptions to be applied equally to respective industries and competitors.
2. Enforcement of current Legislations – SICED & IRD expect new legislations (SI Customs & Excise Act & IRD Value Added Tax Act (VAT))
3. Compliance Issues – Administration and compliance is a challenge for under collection of tax and duty.



# SICED & IRD Solomon Islands managed Revenue Gaps :

## **(a) Under Valuation and Classification (HS)**

- Valuation Act 2009
- Challenge experienced in enforcing the valuation Act
- HS classification tool

## **(b) New Excise Act**

- Support to explore development of new Excise Act.
- New initiative to apply and improve collection of revenue on excisable products.

## **(c) Automated Systems Upgrade**

- Clearance processes remains partially automated.
- Outward cargo manifest not captured in the system.

## **(d) Border Agencies improved collaborations**

- MOUs



# SICED & IRD Solomon Islands managed Revenue Gaps :

- 1. Upskill Training for new Graduates:** conduct internal trainings to staff on new systems and processes in the organizations. IRD new VAT laws expected to be implemented in 2027. SICED to upgrade on new ASYCUDA version after transfer of the system to the new production server in Nov/Dec. 2024 and upgrade of the Apache Tomcat to protect the system from Cyber Security Threats.
- 2. Infrastructure Development:** PACER Plus aims to improve infrastructure to facilitate trade. Insufficient revenue limits the govt's capacity to invest in necessary infrastructure projects.
- 3. Economic Stability:** A stable economy is crucial for the successful implementation of trade agreements. The revenue gap undermines economic stability, potentially leading to challenges in meeting the commitments of PACER Plus.



# Pacer Plus may be Affected:

Pacer Plus goods can be competitive in the local market when non party goods are:

- Undervalued and misclassified
- Under collection of revenue on duty & taxes
- Facilitation of trade can be affected
- Fair and equal opportunities to importers & exporters can be denied



# SICED & IRD initiatives to increase revenue on duty & Taxes

- In 2024, SICED & IRD of Solomon Islands has undertaken several initiatives to strengthen revenue collection on duties and taxes. These efforts aim to improve fiscal stability and support to the nation's economic development.
- **Key Initiatives:**
  1. **Modernization of Taxation Systems**
    - **Revenue Management System Overhaul:** IRD currently undertaken a project to modernize the Government's Revenue Management System. This initiative seeks to automate the receipt, assessment, payment, and reimbursement of all tax types, enhancing efficiency and taxpayer compliance. PFIP funded.



# SICED & IRD initiatives to increase revenue on duty & Taxes

Cont.

## 2. Capacity Building and Staff Training

- **Recruitment and Training:** In 2024, SICED and IRD conducted intensive trainings. SICED inducted new officers following the intensive training. This recruitment is part of a broader strategy to strengthen the division's management, address institutional weaknesses, and enhance staff capabilities. The new officers have been deployed across various sections within the SICED to support revenue collection efforts.

## 3. International Support and Collaboration

- **Tax Reform Grant:** The ADB, in collaboration with the governments of NZ, Australia, and the Solomon Islands, signed a \$M grant to support tax reforms. The project focuses on restructuring the IRD, implementing a new tax administration information system, providing staff training, and conducting a national campaign to enhance taxpayer understanding and compliance.



# SICED & IRD initiatives to increase revenue on duty & Taxes

## 4. Public Awareness and Compliance Campaigns

- Taxpayer Education: IRD has initiated campaigns to increase taxpayer understanding and compliance. These efforts aim to inform the public about tax obligations and the benefits of timely and accurate tax payments, thereby fostering a culture of compliance.



# SICED & IRD current Activities to increase revenue in customs and tax:

SICED & IRD of the Solomon Islands has implemented significant reforms in 2024 to enhance duty and tax collection.

- Activities engaged:
  - (i) Modernization of taxation systems,
  - (ii) Capacity building,
  - (iii) International collaboration,
  - (iv) Public awareness campaigns,

SICED & IRD has made notable progress in improving revenue collection and fostering a culture of compliance. These efforts are crucial for sustaining fiscal stability and supporting the nation's economic development.



# SICED & IRD current Activities to increase revenue in customs and tax:

- **SICED** - Review of SICED legislation to reflect modern Customs processes and procedures and inclusion of trade agreement provisions
- Work closely with MHMS in enforcing the Tobacco Act in Solomon Islands.
- Received support from WHO consultants in Nov. 2024 to conduct survey on Tobacco, alcohol and SSBs.
- Recommend to review the physical policy on use of Tobacco, alcohol and SSBs in Solomon Islands.
- Work closely with Ministry of Mines on Mineral exports (Gold & Bauxite)
- IRD engaged on the review of the VAT legislation



# Contribution of Goods Tax (GT) to Revenue in the Solomon Islands

In Solomon Islands, GT serves as a significant component of the nation's tax system, contributing to govt. revenue.

## Overview of GT

- GT is a consumption tax levied on goods manufactured and used within the Solomon Islands, as well as on imported goods. Manufacturers and wholesalers charge GT when selling goods wholesale, while importers pay it directly to Customs.
- GT is a primary source of revenue for SIG, funding essential public services and infrastructure. In 2024, GT revenue accounted for % of the total revenue, highlighting its critical role in the nation's fiscal health.



# Contribution of GT to Revenue in the Solomon Islands

## Operational Mechanisms

- **Registration and Compliance:** Manufacturers and wholesalers are required to register with the Inland Revenue Division (IRD) unless they exclusively deal in exempt goods. Importers pay Goods Tax directly to Customs at the port of entry.
- **Tax Rates and Exemptions:** GT is levied on the sale value of goods at rates specified in the GT Act. Certain goods and services may be exempt or subject to reduced rates, as determined by the government.



# Contribution of GT to Revenue in the Solomon Islands

- The GT system influences consumer behavior and business operations. While it generates substantial revenue, it can also affect the pricing of goods, potentially influencing consumption patterns. The govt's approach to GT aims to balance revenue generation with economic growth and consumer welfare.



# What happened since last dialogue?

- Drafting of SICED Legislation in progress with the ADB consultant
- Submit proposal to PPIU on AW upgrade for funding
- Obligation to reflect the Tariff Commitments into the AW still pending technical support. (PPIU/UNCTAD)
- IRD engaged on capacity building, collaboration with stakeholders, and public awareness campaigns in preparation for the New VAT law implementation.
- Review of Tax Policy on VAT including the VAT refund procedures



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# Tagio Tumas

To be a Leading Customs Administration in the Pacific Region Serving the People and Government of the Solomon Islands