



IMPROVING THE LIFE OF SOLOMON ISLANDERS  
Inland Revenue Division Solomon Islands

# Inland Revenue Annual Report

# 2018



Version 4 – 13 March 2019 – FINAL

## Introduction

The Inland Revenue Division (IRD) is responsible for administering the legislation that prescribes various taxes imposed in the Solomon Islands. IRD also:

- Manage tax exemption applications (jointly with Customs and Excise Division)
- Supports the Economic Reform Unit in the provision of tax policy advice to the government
- Manages the transport licensing system

The primary objective for Inland Revenue is to operate as an effective and efficient Division which maximizes revenue collection. The forms of taxes collected include income tax, withholding tax, goods tax, sales tax, stamp duty and vehicle licensing fees. The taxes that Inland Revenue collects are spent by the Government on health, education, policing and other public services. This spending underlies the purpose of Inland Revenue - *To Improve the Life of all Solomon Islanders*.

The Division is a part of the Ministry of Finance and Treasury. It is led by the Commissioner of Inland Revenue who is supported with a Division establishment of 121 staff. The Division is structured into several sections - Audit, Legal/Policy, Operations, Employment and Services, and Assessments and Debt Collection. Most staff are based in our offices in Honiara however offices are also maintained in Auki and Gizo.

The Divisions 2018 Business Plan detailed its goals for the year. All its goals were linked to the following priorities:

- Maximise revenue collection
- Improve customer understanding and compliance
- Build a strong organisation
- Improve our people's capability

During 2018 we updated both our Strategic Plan (2019-23) and our Business Plan going forward. Our updated strategic themes are below. Our business planning will be based on these from 2019 onwards.

- We are customer focused
- We manage risk to compliance and reduce collection costs
- We continuously improve – our organisation and team capability

## Division Highlights

**Revenue Collection** - During 2018 Inland Revenue collected total revenue of \$2.001 billion. This exceeded our budget of \$1.9 billion and is the first time in history we have broken the \$2 billion mark. This revenue collection is a huge achievement and the result of much effort and focus by Inland Revenue management and staff.

**Draft Public Rulings**- During the 2018 year, IRD finalised eight rulings based on technical forums held in the previous year. They are:

- Draft Public Ruling 2017-D1 - Employee vs independent contractor
- Draft Public Ruling 2017-D3 - Professional fees and management fees
- Draft Public Ruling 2017-D4 - Deduction for wear and tear and balancing charge on land and building
- Draft Public Ruling 2017-D4 – Bad Debts- writing off debts as bad for Income Tax (IT) purposes
- Draft Public Ruling 2017 – D5 Tax Liability on rental Income derived from sources in the SI
- Draft Public Ruling 2017 – D6 – When is Income derived and a deduction Incurred
- Draft Miscellaneous Public Ruling –D1 – Record Keeping
- Draft Miscellaneous Public Ruling – D2 – Offset of Tax Credits against arrears of taxes

**Investigations Work** - To improve levels of compliance and to continually maximise revenue collection the Division increased its investigations efforts again in 2018. During the year Audit staff completed 161 audits, and assessed \$277m in additional taxes. The audit assessed debt collections were \$52m.

**Some key numbers:**

- In 2018 the Assessing Team assessed and issued 1,356 assessments totalling \$150 million payable
- A total of 5,928 Provisional Tax reminder notices were issued during the year resulting in a collection of \$215,597,737
- In total we processed 13,470 returns across Income Tax, PAYE, Goods Tax and Sales Tax
- A total of 526 objections were processed by the Assessing and Accounts teams
- The Withholding Tax Unit collected more than \$288 million
- 1,980 Stamp Duty documents were processed during the year, raising revenue of more than \$15.5 million

**Online Services Phase One** – During 2018, we completed the legislative requirements and system modernisation work that enabled the implementation of Phase One of E-Tax – our online filing and payment module. This went live on 12 September 2018. This has been a groundbreaking project for IRD (and SIG) working alongside our donors, stakeholders and New Zealand-based IT supplier. TE-Tax represents a huge step towards digitization of our systems. Phase One included Goods Tax, Sales Tax and PAYE. 2019 will see the implementation of Phase Two which is the same changes for Income Tax and Withholding Tax as well as a greater level of automation for the assessment of salary and wage earners' refund applications.

**IRD Leadership & Development Program** - During 2018 Inland Revenue completed the IRD Leadership & Development Program with 24 leaders graduating in Brisbane, Australia with a Post Graduate Qualification at the Australian Catholic University. Improving leadership capability is recognised as critically important to the ongoing growth and success of IRD.

**IRD Tax Technical Skills Training Program** - Another 2018 highlight was the continued successful implementation of the IRD Tax Technical Skills Training Program working with the IRD Human Resources Office, and the IRD Policy Unit. A total of ten workshops were planned and conducted during 2018, and will continue to completion in the first quarter of 2019.

**IRD Regional Participation** – IRD was well represented in several workshops regionally. In 2018 IRD officers attended the ISORA (International Survey on Revenue Administration) workshop in Fiji, several PFTAC (Pacific Financial Technical Assistance Centre) Leadership development opportunities and was also involved in the Pacific networking trip to the FRCS (Fiji Revenue & Customs Service) which covered a range of important areas for development including performance management and recruitment.

**Tax Reform** – Tax Reform has begun – here are some reforms to tax policy and tax administration that have been implemented (or are planned) that have an important impact on tax revenues:

- Goods Tax Amendments
- Withholding Tax orders imposing withholding tax on resident and non-resident professional services and management services (rates)
- A new Tax Administration Bill has been drafted and will be presented to the Solomon Islands parliament after the National General Election on 3 April 2019
- Proposed to introduce a VAT/GST in the next 18 months, and to remit the Income Tax Act

**Bus & Taxi Project** - The successful completion of the project field work on Bus & Taxi industry was a big breakthrough for the project team given the complex nature of the industry including the low literacy levels of many customers in this industry, a lack of proper contact addresses and no professional industry association all of which made it difficult to communicate and compromise.

**Business Planning, Monitoring and Achievement** – The IRD Executive has committed significant time to ensuring we have robust planning processes in place and we monitor progress against plans – we have achieved a commendation from PFTAC on how well we are doing here. Our draft business plan for 2018 was prepared before Christmas 2017 and on a monthly basis during 2017 we reported line by line against our progress. This diligence paid off with the following end of year results:

- Fully Completed initiatives – 41% (15/37 initiatives)
- Partially completed – 43% (16/37 initiatives)  
(Partially undertook means we undertook a significant amount of work, or were prevented from doing so by external circumstances)
- Not completed 16% (6/37 initiatives)

# Achievements against plan and key performance indicators

## Maximise Revenue

### Achieve 2018 Revenue Collection Target

During 2018, the Division collected revenue of \$2.001 billion. This exceeded our target of \$1.99 billion by 5% (\$100m) **and** was a 6% increase on 2017. This is the result of much dedication and hard work by all Division staff. Importantly, this is the first time IRD has ever collected in excess of \$2 billion.

Figure 1

Total Revenue Collections 2007 to 2018 (\$'000,000's) Millions

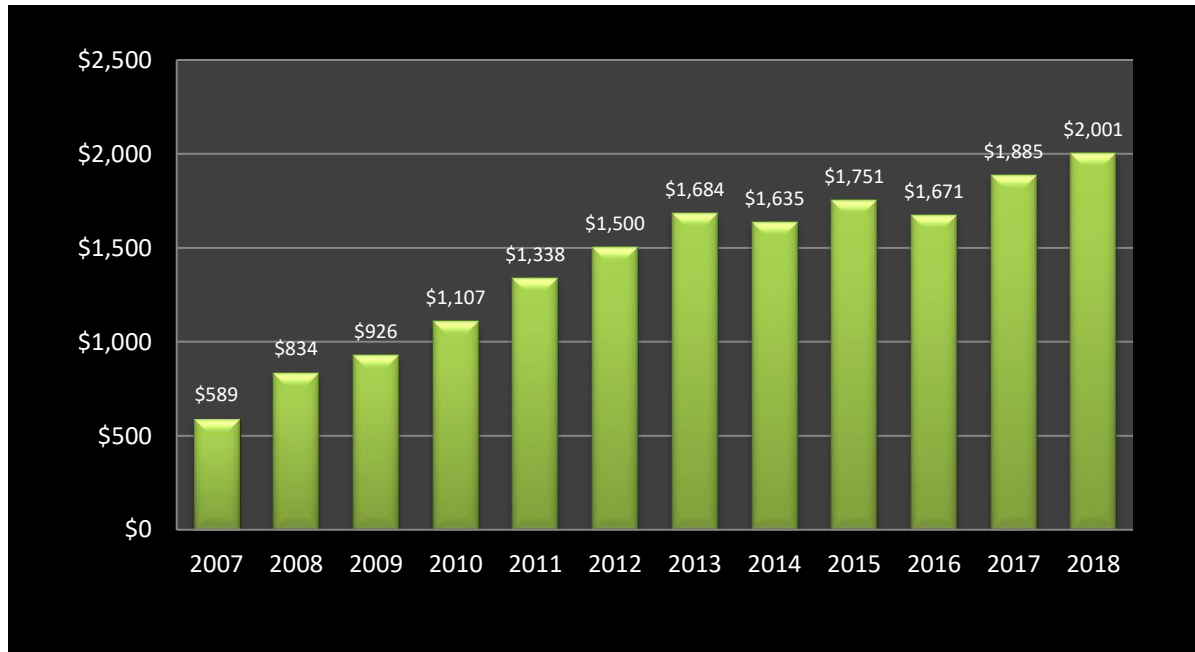
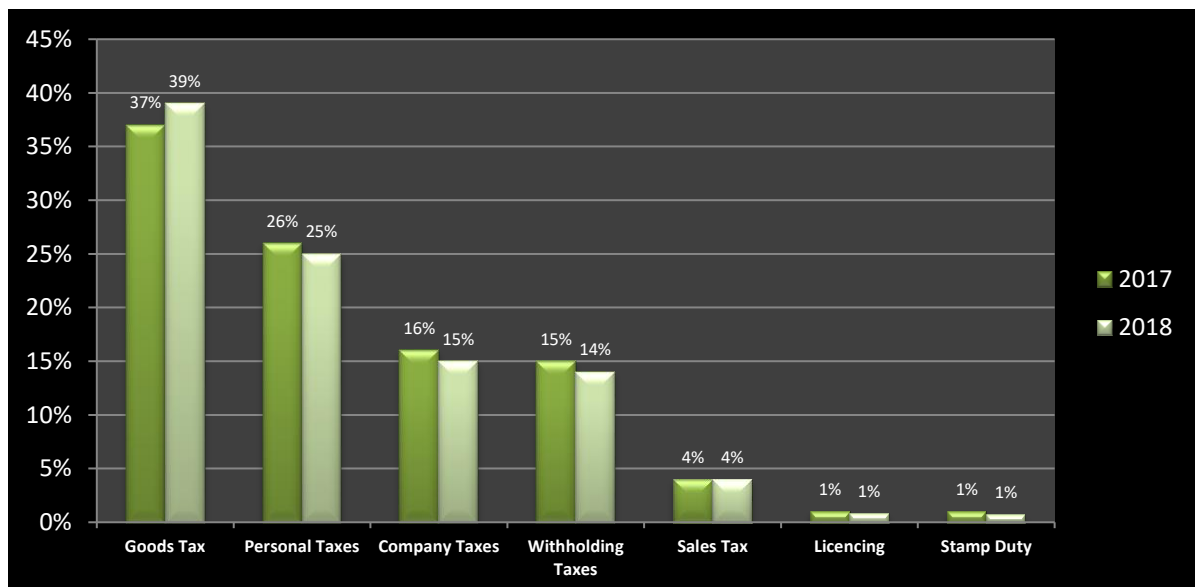


Figure 2

Sources of 2017 and 2018 Revenue – Percentage by Tax Type



As indicated in Figure 2, the % of revenue collected from each tax type varies widely but does not fluctuate much year on year. Goods tax revenue provided 39% of total revenue in 2018 while Licensing and Stamp Duty provided only 1% of total revenue each.

## 2018 Revenue – Collection by Tax Type

Figure 3

TAX TYPE	COLLECTION %*	COLLECTION TOTAL (\$)
GOODS TAX	39%	782,369,736
PERSONAL TAXES	25%	505,294,122
COMPANY TAXES	15%	309,482,179
WITHHOLDING TAXES	14%	288,379,057
SALES TAX	4%	84,261,103
LICENCING	1%	15,895,465
STAMP DUTY	1%	15,653,248
	100%	2,001,334,909

\*Rounded to the nearest whole percentage

During the year, the Division collected due and outstanding taxes by:

- Issuing 1,356 assessments as well as lodgement and payment reminder notices
- Hundreds of face-to-face and phone contacts with customers
- Visits to businesses in the Honiara business district
- Conducting seminars, having meetings with tax agents, maintaining our website
- Issuing new tax education guides, and advertising due dates in the media
- Maintaining provincial offices in Auki and Gizo
- Undertook three provincial tours



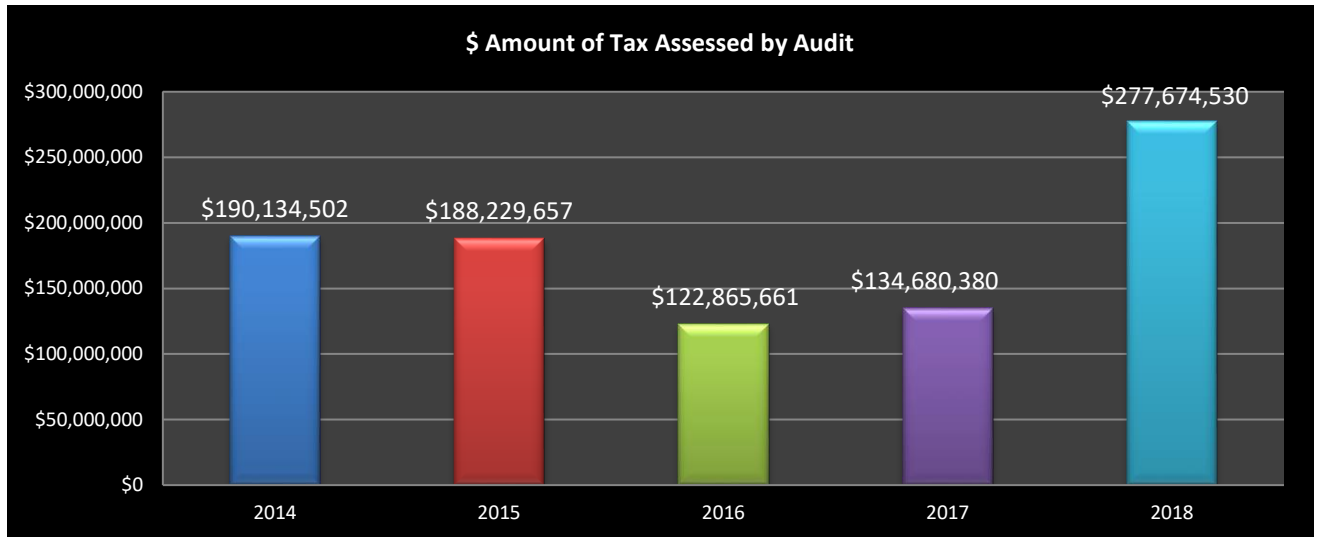
**Above:** Our IRD Cashiers area – this year we began opening all day (including lunchtime periods) to better manage the long customer queues

## Results from Investigation Work 2014-2018

To improve levels of compliance and to continually maximise revenue collection the Division increased its investigations efforts again in 2018. During the year Audit staff completed 161 audits, and assessed \$277m in additional taxes. The audit assessed debt collections were \$52m.

The 2018 Audit Business Plan set the annual target for tax assessed at \$120m. This was an expected outcome from the 140 cases to be completed. Each audit team has a target allocation towards achievement of the above and these are specified in each team plan. Similarly, each individual's targets were outlined in their Individual Work Plans. The Audit Section had made another significant achievement during the year by reaching a total of \$277,674,530m in tax assessed. This is an increase of 106% from last year.

**Figure 4**  
**Results from Audit Work 2014-2018**



Some Performance indicators:	Actions Taken
Apply risk assessment processes to select cases	<ul style="list-style-type: none"> <li>Utilizing workshop materials on risk assessments</li> <li>Utilizing information available in the RMS</li> <li>Third Party information checks</li> <li>Local knowledge and observation checks</li> <li>Case allocation was also based on internal/external referrals</li> </ul>
Continue the assessment of compliance risks in the provinces	One of the priority areas to for 2019 and onwards.
Conduct detailed and specific investigations	<ul style="list-style-type: none"> <li>Case allocation</li> <li>Case researching</li> <li>Case profiling</li> <li>All Audit &amp; investigation jobs were classified in four main categories: specific issue audits, medium audits, full investigations and Voluntary Disclosures</li> <li>Audit &amp; Investigation work must comply with the appropriate procedures, processes, policies and legislations</li> </ul>
Establish debt payment arrangements for arrears resulting from investigations	<ul style="list-style-type: none"> <li>Apply the Instalment Arrangement Policy</li> <li>Auditors liaised with debt officer for signing of DOS</li> <li>Collection of audit assessed debt is a high priority</li> <li>An audit officer was hired to work with the Debt and Returns team to collect audit debts</li> <li>Debt officer to report back to the ADC- Audit, on regular basis</li> </ul>
Conduct 100 registration and third-party checks	Cases identified through checks must be registered in the appropriate spreadsheet and maintain in the Audit & Investigation Folder. However, in 2018 the registration is focus more on the bus/taxi industry.

## Identify Customers Operating Outside the Tax System

### *Reduce the number of customers who are operating businesses outside the system*

Another significant effort was made during 2018 in identifying customers outside the tax system. Work undertaken included:

#### **Business Registration Checks**

Registration checks are conducted every year by the Audit Section. This involves physical observation on existing business operations, third party checks including the media, public and business spot checks (for new businesses). The purpose is to identify changes within the business community and to see whether tax obligations are fully satisfied. A total of three registration cases were recorded during the year.

#### **Bus and Taxi Project**

This project was established in 2014 to review and address the high level of non-compliance in the public transport industry (non-registration/non-return lodgement).

The project captured more than 625 owners that are currently operating bus & taxi services in Honiara. This increased the new TIN registrations in the RMS and reduces the number of customers operating outside of the tax net. The number of new registrations will continue to increase over the years as more and more owners now come forward for TIN registrations.

The assessments raised were based on a resolution made between the bus/taxi interim representatives and the Commissioner IRD on 8 November 2018. The parties have agreed to impose tax starting from the 2017 financial year. This means no tax will be calculated for the income years 2016 and prior. The parties further agreed to settle the 2017 taxes at the following rates; \$3,900 per bus and \$1,500 per taxi. Finally, the parties agreed that from year 2018 and onwards the owners are liable to lodge their returns of income.

The default assessments raised for \$1,026,621 have increased the tax debts through tax assessed in RMS. However, this will also increase future revenue collections through the related Deeds of Settlements (DOS). The total revenue collection received so far is just under \$300,000. More collections are coming in every month as instalment payments are made per the DOS.

A couple of seminars were also held in the month of December 2018 to assist the owners understand more about their tax obligations. The information guides were also circulated to the owners during the seminar sessions. More seminars are to be arranged for the future in this particular industry.

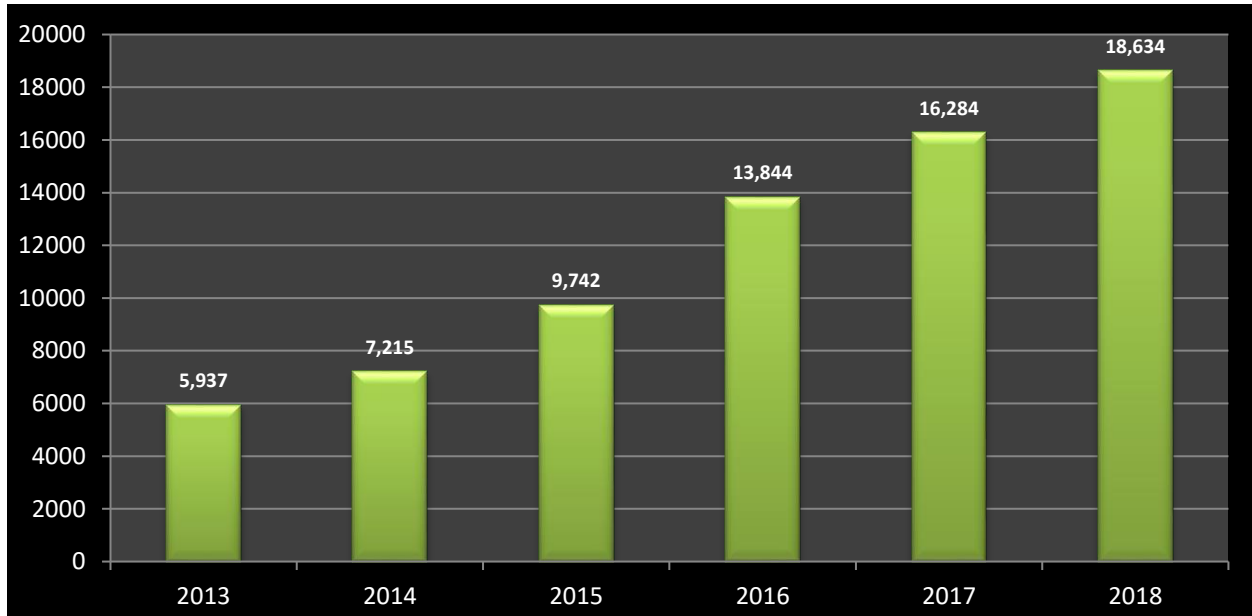
**Figure 5**

### **New Registrants in the Transport Management System from 2015 to 2018**

<b>TMS Report</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Total</b>
Light Public Service Vehicle (Taxis and buses up to 26 seats)	938	696	903	783	3,320
Heavy Public Service Vehicle (Buses with more than 26 seats)	67	24	21	16	121
<b>Totals</b>	<b>1,005</b>	<b>720</b>	<b>924</b>	<b>799</b>	<b>3,441</b>



**Figure 6**  
**Customers Registered with Inland Revenue 2013-2018**



**Left and below:** Our Registration Team and attending customer and processing registrations



Some Performance indicators:	Actions Taken
Undertake projects aimed at identifying and taking action against customers outside the tax system	Continued to conduct a range of projects including the Bus and Taxi Project and the Property Project. Further details were outlined above but these are both ongoing in 2019.
Undertake random registration checks with enforcement action taken where necessary	Three registration cases were recorded during the year.
Compare Company Haus and HCC licence data with RMS	This work was not completed as planned
Undertake provincial tours	Visited two provincial headquarters – Auki and Gizo. Activities performed include tax seminars, general advisory visits to customers, follow up debt cases and register new businesses etc.



## Improve Return Lodgments

### *Improve the number of customers who are lodging returns by the due date*

During 2018 efforts to improve the lodgment of returns included:

- Introduced E-Tax for Goods Tax, Sales Tax and PAYE to enable online filing – this included various media announcements
- Introduced digital advertising in three locations
- Issued nine media adverts of due date for Goods Tax, Sales Tax and PAYE
- Issued six media adverts for Provisional Tax
- Pre-due date reminder notices and returns outstanding notices continue to be issued for Goods Tax, Sales Tax and PAYE
- 640 advisories were conducted and eight seminars

Lodgment rates continue to be a huge compliance issue despite efforts made to improve them and the positive results we see below. It will take a significant amount of time to increase the uptake of E-Tax however we are fully committed to this work which provides us the most efficient channel for the receipt of returns. Goods Tax and Sales Tax lodgment rates increased (by 3% and 2% respectively) however Income Tax remained the same. We were very pleased with the 7% increase in PAYE returns as a result of our additional focus in this area. As in previous years, the lodgment rates for larger customers continue to be higher than the overall rate. In 2018 we plan to look at other ways we can launch pre-emptive campaigns to increase lodgments which will include additional education for customers.

**Figure 7**  
**Lodgment Rates 2011-2018**

Tax Type	2011	2012	2013	2014	2015	2016	2017	2018
Income Tax	21%	21%	38%	22%	12%	8%	8%	Not yet available
Goods Tax	86%	77%	84%	70%	64%	64%	65%	68%
Sales Tax	40%	35%	31%	34%	26%	24%	24%	26%
PAYE	43%	36%	32%	31%	26%	24%	23%	30%

NB: Due to the limited reporting requirements of our system and the integrity of our registration database we have a relatively low level of confidence in the accuracy of filing rates, in particular Income Tax rates. We have a large number of inactive customers which distorts lodgment statistics. We are currently working on both improving reporting functionality and cleansing data so in the future we will be able to provide more accurate rates.

Some Performance indicators:	Actions Taken
<i>Continue media advertising of tax due dates on a regular basis</i>	We issued nine media adverts of due dates for Goods Tax, Sales Tax and PAYE. Six media adverts for provisional tax. We also had various print and radio media activities for the launch of E-Tax. We introduced our own digital advertising this year too on three screens around Honiara. This is through a collaborative partnership with NSO.
<i>Take proactive actions to improve return filing rates, e.g. issue lodgment reminder notices prior to due dates.</i>	Continue with media advertising of payment and lodgment due dates for Goods Tax, Sales Tax, and PAYE.
<i>Identify a suitable prosecution case/s for failure to lodge returns</i>	At this stage no failure to file case has been lodged
<i>Continue identifying (through small projects) customers who have ceased operation and deregister them</i>	We have made excellent inroads here by following up on new registrations where the business never ends up starting. We also make a continued effort to identify ceased or inactive customers however data quality in our system remains a large concern.

## Tax Exemptions

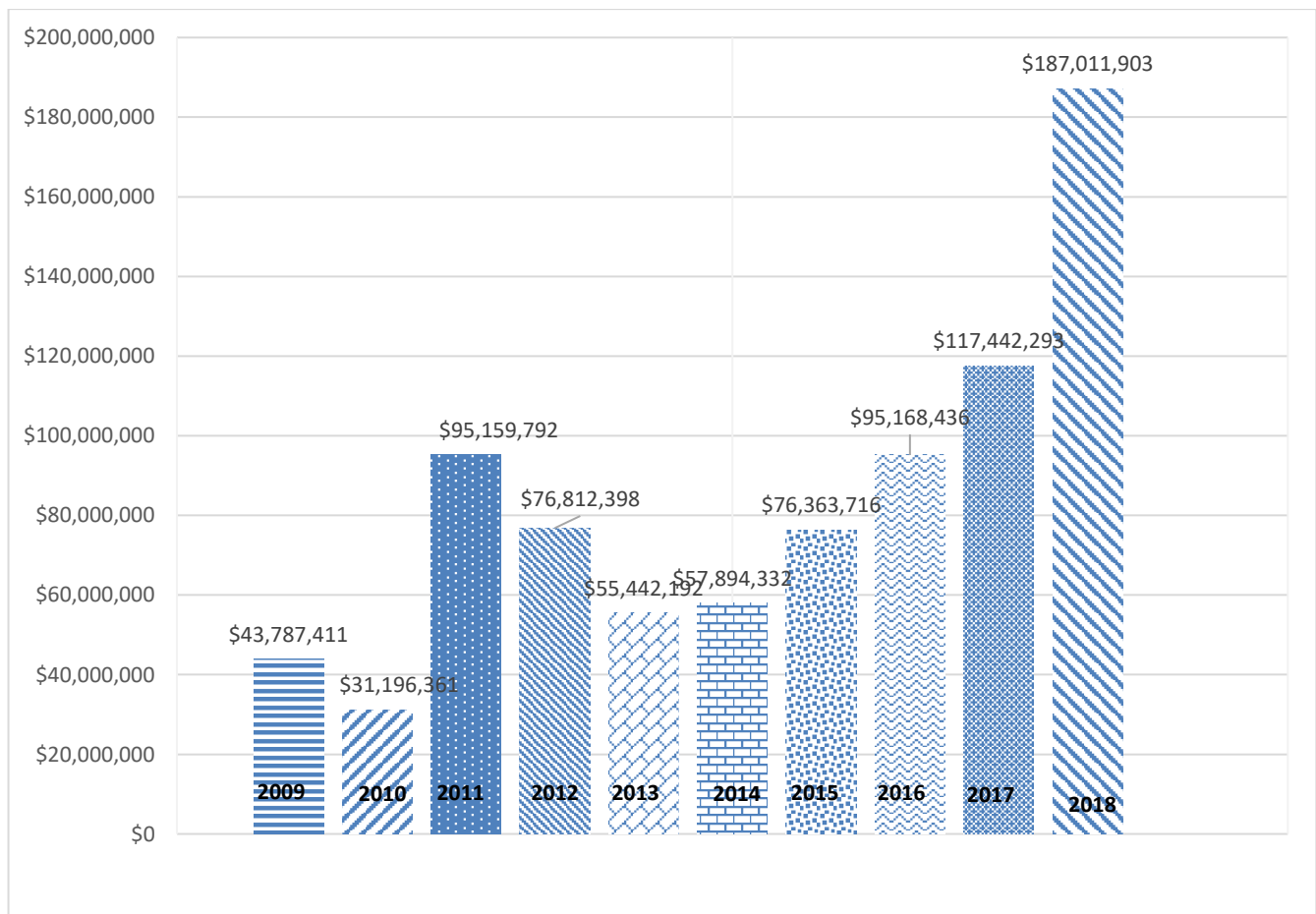
Inland Revenue continued providing Secretariat services to the Revenue and Customs Exemption Committee.

The tables below show exemption applications for 2018 (by type) and then for the last ten years. Of the 440 applications received for exemptions in 2018, 396 were approved and those consist of MOU funded projects, Members of Parliament Rural Constituency Development Fund (RCDF)/Parliament Entitlement Regulation (PER) and Doctors as well as applications that are directly approved by the Minister. The dollar value of the exemptions for 2018 was \$187,011,903.

**Figure 8**  
**2018 Total Exemptions by Exemption type**

<i>Types of Exemptions</i>	<i>Number of Applications</i>	<i>Revenue Foregone</i>
Statutory Exemptions	2441	57,157,514
MPs Exemption (Incl. PER)	244	27290028
Doctors Exemptions	37	422,690
Stamp Duties Exemptions	13	27,081
Exemption Committees Approval	101	159,262,731
Minister's Discretion	1	9,371
<b>TOTAL EXEMPTIONS</b>	<b>396</b>	<b>187,011,903</b>

**Figure 9**  
**Dollar Value of Exemptions Granted 2009-2018**



## Collect Debt

### Reduce the number and \$ value of tax debt cases

In 2018 the Debt and Return Section collected a total debt of \$93.8 million which is 29% above 2017 debt collections. This is a significant improvement which we are very proud of. We anticipated that the total tax debt could increase in 2019 and our focus will be on **collectable** debts.

In other areas an example of our achievements is that we reduced aged debtors by \$196m from May to December 2018

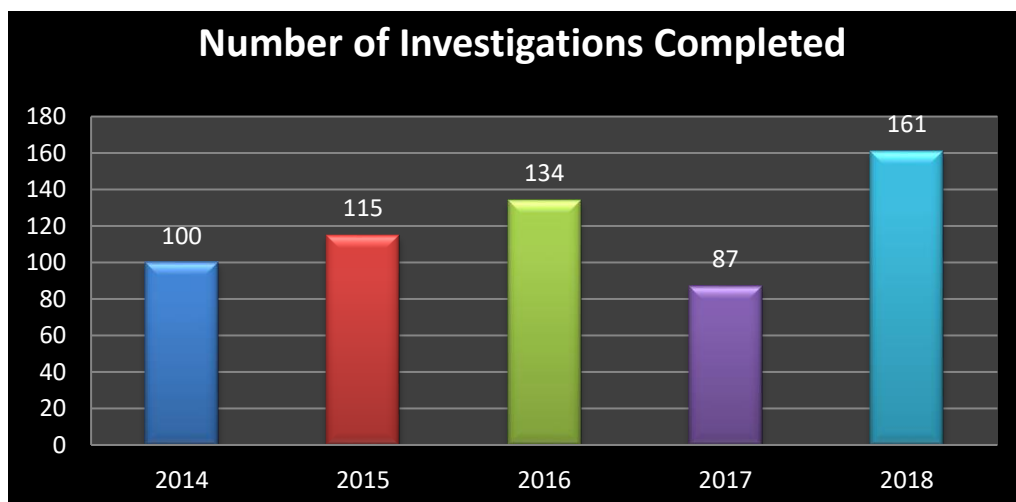
Some Performance indicators:	Actions Taken
Establish best practice for debt collection methodology	Our Strategy was developed in 2017 but we do struggle with the ongoing execution and monitoring as this is an area we still need to build further capability and capacity.  A monitoring tool is being developed with ICTSU to improve the ability to report on results and monitor team progress. An inventory was also developed for staff to manage and monitor own cases on RMS debt case management.  We do have some targets in place however we are limited with RMS modernisation due to a lack of funds to pay for improvements. This is badly needed and will remain a key area of focus in 2019 and beyond.
Establish targets for the reduction of debt	
Maximise the use of RMS debt case management	
Review resource levels committed to debt collection activities	
Ensure that debt instalment arrangements are closely monitored	This is an ongoing priority
Increase use of Tax Clearance Certification and TIN's by other government agencies	This is an ongoing priority

## Conduct investigations

### Maintain and improve compliance by auditing selected customers

Our target for Audit cases this year was 140 cases; 125 specific issue and 15 full audits. The numbers are allocated amongst each team and member based on seniority, experience and the level of competency. A total of 161 cases were completed which is a huge increase of 85% from last year's 87 cases. This is a great achievement and it reflects sound case selection and effective case monitoring. Furthermore, there were no objection cases; however, a couple of cases are currently processing through legal proceedings. Four cases have been completed without any discrepancy.

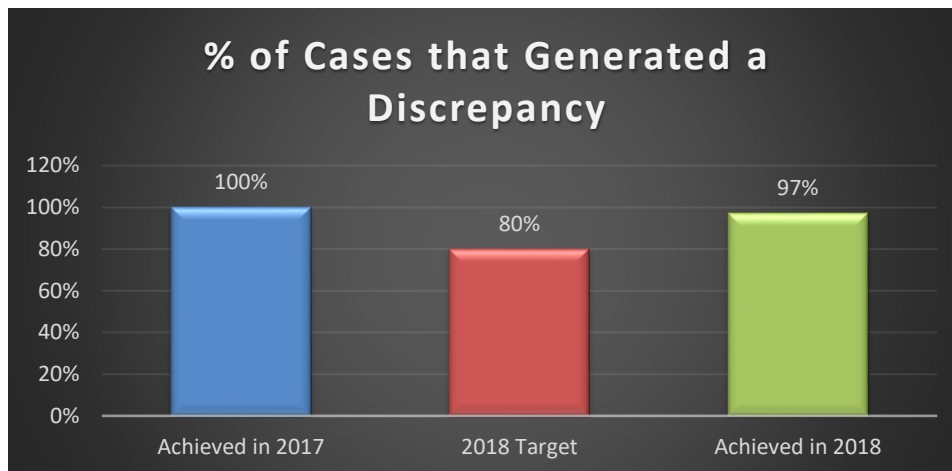
**Figure 10**  
**Number of Investigation Cases Completed**



**Figure 10** indicates the number of investigation cases completed for each of the last five years.

Our tax assessed target in 2018 was \$110m. Similar to the number of cases this is apportioned across the Audit Section. We had another significant achievement assessing total discrepancies of \$134,680,380m. This is \$24,680,380m or 22% above the annual target and a 9.6% increase from the previous year.

**Figure 11**  
**% of Audit Cases that Generated a Discrepancy**



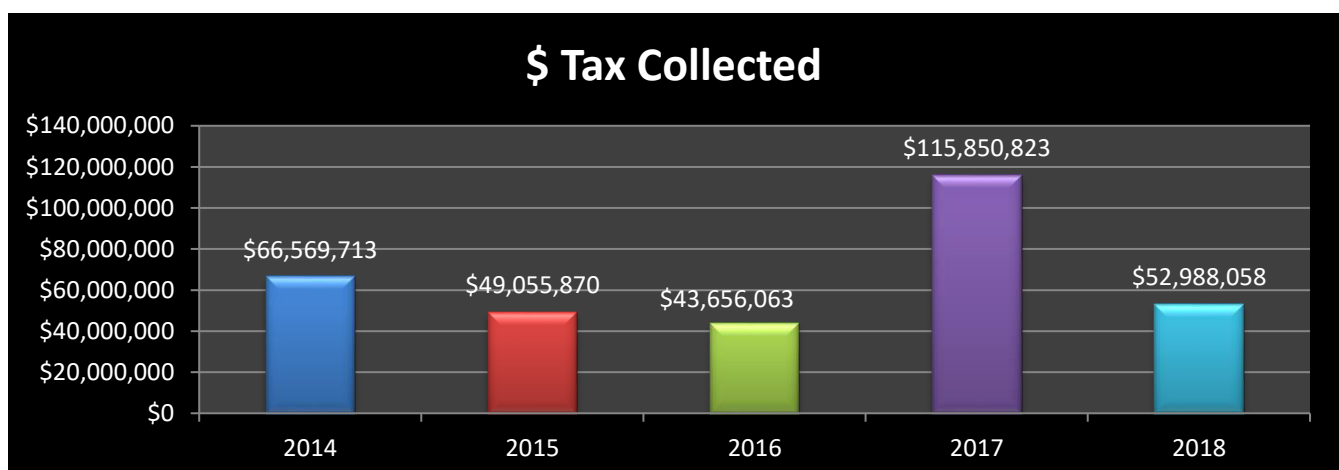
**Figure 11** indicates the number of cases that IRD Audit staff undertook that resulted in a tax discrepancy being assessed. This is a very high 'strike' rate for cases and in part reflects the quality of Intel that leads to a case being established and assigned to an Auditor. It also indicates a highly non-compliant tax base.

The strike rate for 2018 was set at 80%. The strike rate achieved in 2018 was 97%.

### Debt Collected following an Audit

Total tax collected by the Audit Section during the year was \$52.9m, from the 161 audits and assessed \$277m in additional taxes. This is an excellent achievement.

**Figure 12**  
**Tax Debt Collected following an Audit**



Some Performance indicators:	Actions Taken
Apply risk assessment processes to select cases	<ul style="list-style-type: none"> <li>Utilizing workshop materials on risk assessments</li> <li>Utilizing information available in the RMS</li> <li>Third Party information checks</li> <li>Local knowledge and observation checks</li> <li>Case allocation was also based on referrals from within IRD or other institutions</li> </ul>

Continue the assessment of compliance risks in the provinces	One of the priority areas for 2019 and onwards.
Conduct detailed and specific investigations	<ul style="list-style-type: none"> <li>• Case allocation</li> <li>• Case researching</li> <li>• Case profiling</li> <li>• All Audit &amp; investigation jobs were classified in four main categories: Specific issue audit, Medium audit, Full investigation, and Voluntary Disclosure audit.</li> <li>• Audit &amp; Investigation work must comply with the appropriate procedures, processes, policies and legislations</li> </ul>
Establish debt payment arrangements for arrears resulting from investigations	<ul style="list-style-type: none"> <li>• Apply the Instalment Arrangement Policy</li> <li>• Auditors liaised with debt officer for signing of DOS</li> <li>• Collection of audit assessed debt is a high priority</li> <li>• An audit officer was hired to work with the Debt and Returns team to collect audit debts</li> <li>• Debt officer to report back to the ADC- Audit, on regular basis</li> </ul>
Conduct 100 registration and third-party checks	Cases identified through checks must be registered in the appropriate spreadsheet and maintained in the Audit & Investigation Folder. We did not meet our targets in this area in 2017 due to focus diverted elsewhere

## Improve customer understanding and compliance

### Improve Customer Understanding

#### *Increase the number of customers who understand why and how to comply*

A key element of Inland Revenue's strategy to maximize revenue is to encourage voluntary compliance - to help customers get it right from the outset, to understand and comply with their tax obligations.

During 2018 the effort to increase customer understanding included:

- Customer Education Team carried out a number of tax talks for stakeholders
- Conducted six tax seminars targeting NGO's, new businesses and training providers
- 70 advisory visits were made to customers by Compliance staff at their business premises
- Delivered a basic tax talk to students
- 640 advisories were conducted at the IRD office
- Responded to hundreds of visitors to our customer service centre
- Responded to hundreds of phone calls and correspondence
- Education work completed by our provincial staff
- Media advertising of payment and lodgement due dates
- Maintaining our internet site
- Reviewing our website – made several changes during the year



#### **Left**

Advisor and E-Tax Project Manager Anna O'Keefe with Management Advisor Gibson Sanau demonstrating the new E-Tax system to customers. This is one of many demonstrations that has been held.

<b>Some Performance indicators:</b>	<b>Actions Taken</b>
<i>Conduct seminars, tax talks and advisory activities, particularly in risk areas/industries</i>	<ul style="list-style-type: none"> <li>• Conducted eight tax seminars targeting NGO's, new businesses and training providers</li> <li>• 70 advisory visits were made to customers by Compliance staff</li> <li>• Delivered a basic tax talk to 80 students</li> <li>• 640 advisories were conducted at the IRD office</li> <li>• Responded to the hundreds of visitors to our customer service centre</li> </ul>
<i>Use a range of media to raise visibility of tax obligations</i>	As per our previous years approach we undertake regular newspaper advertising to alert customers to due dates for Goods Tax, Sales Tax and PAYE. There were 15 media adverts in total, in which 6 media adverts are for provisional tax.
<i>Develop new guides/review of guides and forms</i>	Reviewed both the Goods Tax and Sales Tax Guides and developed a draft of a new tax guide on Non-Cash Benefits (NCB).
<i>Undertake education/compliance efforts in the provinces</i>	We undertook compliance tours in the provinces - this year in Auki, Kirakira, and Munda/Noro
<i>Review the <a href="http://www.ird.gov.sb">www.ird.gov.sb</a> internet site structure and content</i>	A review was undertaken and recommendations made. These changes were implemented in 2018.
<i>Explore new ways to convey education messages including billboards, pull-up banners and video</i>	Liaised with the National Statistics Office and began to display IRD messages on their digital screens. This is an area of even greater opportunity in 2019. We also undertook two radio talkback sessions broadcasted on SIBC as part of the E-Tax launch.
<i>Educate customers as appropriate through investigation and project work.</i>	<ul style="list-style-type: none"> <li>• Provide all necessary information kits, including the audit information sheet</li> <li>• Assisted customers to complete their registration forms</li> <li>• Interpret and explain the intention of the relevant laws here necessary</li> <li>• Provide tax rates and due dates</li> <li>• Provide PAYE calculator</li> <li>• Provide penalty calculator</li> <li>• Answers queries asked by customers</li> <li>• Provide any general information or advice</li> <li>• Provide explanations through letters</li> </ul>
<i>Establish a logbook to keep track of follow-up advisory requests</i>	This work was not completed
<i>Redesign identified letters, forms and annual summaries including the IR1 registration form</i>	The IR1 had been designed and approval. This has been implemented in early 2018. We also refreshed the registration business processes.



## Build a Strong Organisation

### Build Relationships

#### *Utilise relationships with the business community*

This is an area of much opportunity for IRD. We haven't utilised this area as well as possible in past years and we have begun addressing this in 2018 by developing both internal and external communication strategies for implementation in 2019. While we are still building and learning in this area we have made some important advances in 2018.

<b>Some Performance indicators:</b>	<b>Actions Taken</b>
<i>Increase liaison with the Business Community and other government agencies</i>	<ul style="list-style-type: none"> <li>• More than 120 business customers attended the SICCI Business After 5 event where we launched E-Tax</li> <li>• Ongoing E-Tax advisories have been held</li> <li>• Launched our first joint policy with RSIPF</li> <li>• Building relationships with both Solomon Post and BSP to assist us in the understanding and uptake of E-Tax</li> <li>• IRD Advisor chairs the CBSI-supported Digital Finance Working Group</li> <li>• Active relationships with both donor agencies – MFAT and PFIP</li> </ul>
<i>Establish IR internet link on the internet sites of the business community</i>	We did not achieve this in 2018
<i>Continue Tax Agents' forum meetings</i>	Tax Agent Forum meetings continued as planned this year. Two meetings were held.



**Above and left:**

Senior representatives from both IRD and RSIPF worked on and ultimately approved the first joint RSIPF-IRD policy. The policy relates to our ongoing joint responsibility for the administration of the licensing system.



## Technology Uptake and Improvement

### Maximise the use of RMS and TMS

#### System support and data integrity

Our systems continue to be a high priority to manage and improve on an ongoing basis. 2018 saw another range of changes made, outlined further in the table below.

<b>Some Performance indicators:</b>	<b>Actions Taken</b>
<i>Improve the Revenue Management System and Transport Management System in the provinces.</i>	We have ongoing difficulties with internet connectivity in the provinces, in particular our West. We will be investing significantly more effort in training in the provinces as we believe this is our key issue, rather than the system connectivity.
<i>Continue to maximise the benefits of RMS and TMS System by funding and implementing improvements</i>	This year we received some of the final tranche payments from the MFAT bilateral programme. We are utilising the final amounts to complete the AX Interface and the Online Services Phase One work. We have secured an additional donor (the Pacific Financial Improvement Programme (PFIP)) to fund Online Services Phase Two which includes Income Tax, Withholding Tax, improvements to individual tax assessments.
<i>Develop and implement an IT Strategic plan</i>	Based on our technology development plan and (aside from ongoing improvements) we achieved three key deliverables: <ul style="list-style-type: none"> <li>Continued implementation of the AX Interface – including significant investment in the relationship with Treasury and ongoing reconciliation issues</li> <li>Implementation of Online Services Phase One which includes Goods Tax, Sales Tax and PAYE</li> <li>Design and specs of Online Services Phase Two</li> </ul>
<i>Develop and implement benchmark reporting system in RMS and TMS.</i>	We did not achieve this deliverable however we have improved our understanding of what is required here in the future. Our Management Advisor attended TADAT training in Fiji through PFTAC.
<i>Develop and deliver tailored training in the use of RMS / TMS and the IRD website</i>	All IRD staff were trained in the use of Online Services Phase One, training has begun on Phase Two. The updated website was launched in September and a number of staff are trained in it's maintenance.
<i>Maintenance of IT hardware, software and systems</i>	Ongoing maintenance conducted as necessary. Both RMS and TMS Support Builds being maintained during the year.



**12 September 2018 – our E-Tax Launch Group** – includes the IRD E-Tax Project Team, ICTSU, PFIP Donor Representative and Tax Agent representatives

## Build Legal and Technical Capability

### Strengthen the tax technical foundations of the Division

Since 2017, we had the benefit of a Lead Advisor who specializes in the application of tax law. This position has also provided a direct counterpart to the Division's Policy Analyst.

Legislative and tax legal work in 2018 included:

- E-filing Orders and Regulations for Income Tax, Goods Tax, PAYE and Sales Tax were drafted
- Drafted six Public Rulings
- Drafted Non-resident WHT for non-residents landlords and resident professional services orders
- Drafted Goods Tax amendment increasing to minimum value to 140% for registered wholesalers
- Provided substantial oral and written legal advice to officers and management
- Provided legal support for officers and management in external interactions with customer
- Conducted two Tax Agents Forums
- Develop a Debt and Lodgement team toolkit
- Checklists developed for Exemptions Committee to be completed when considering applications for exemptions.
- Develop for team leaders a Return and Lodgement and Withholding tax processes;
- Present 2 half day sessions to AG Chamber's DPP and Law Reform Commission in September and to IRD staff in December on Technical decision making and Reading and Interpretation an Act and Introduction to Solomon Islands Tax;
- Draft 3 new Guides and update another;
- Determine 4 Objections and an appeal from Tax Agent on disallowance of an objection;
- Prepare checklist for staff on TIN registration form and make suggestions for change to Form
- Review and update of proposed tax reform
- The former Minister of Finance, Hon. Snyder Rini has approved the Ministry of Finance and Treasury to undertake a review of the current national tax system as part of the Government fiscal reforms. Initial consultations of Stage one of the Review commenced in 2017.



**Above:** IRD's Lead Advisor and our Policy Officer

Some Performance indicators:	Actions Taken
Hold regular Tax Technical Forum meetings	This forum was not convened in 2018
Develop and review operational policies. Strengthen their use and application	<b>New Tax Administration Policies</b> <ol style="list-style-type: none"> <li>1. Tax Administration Policy 2018/1: Instalment Arrangement</li> <li>2. Tax Administration Policy 2018/3: Referral for Legal Action</li> </ol> <b>Reviews</b> Tax Administration Policy 2014/2 (Revised August 2018): Income Tax Default Assessment

Obtain Government agreement to a tax policy work program for 2015 to 2018	<p>In mid-October 2017, the former Minister of Finance Hon. Snyder Rini approved the Ministry of Finance and Treasury to undertake a review of the current national tax system as part of Government fiscal reforms.</p> <p>The current tax structure in Solomon Islands has been largely unchanged for decades, imposes a very high tax burden when compared to other Pacific countries and is outdated, expensive to administer and anti-competitive.</p> <p>A comprehensive tax review will take stock of the downfalls of the current system and seek to set the path to deliver a fair, simple and broad-based tax system, which ensures everyone who is liable to pay tax, pays the correct amount.</p> <p>The Tax Review is undertaken in stages over three years:</p> <ul style="list-style-type: none"> <li>• Stage 1: Review of Tax Administration and Consumption Taxes.</li> <li>• Stage 2: Review of Income Tax.</li> <li>• Stage 3: Other Taxes.</li> </ul> <p>Stage 1 of the review was carried out and recommendations on way forward for the first stage were delivered to the Minister. More work on Stage One and the two remaining stages continued in 2018.</p>
Undertake a Revenue Administration Review (including Penalties Regime review)	A draft Tax Administration Bill was released for consultation in December 2018.
Improve legal support for the Division	<p>The Lead Advisor has significantly strengthened the Division's legal capacity, providing extensive verbal and written advice to officers and management on matters which have remained outstanding over a long period.</p> <p>To date we have been unsuccessful in securing a tax lawyer as is allowed for in the IRD establishment. We hope to complete this recruitment challenge in early 2019.</p>

## Workforce Management

### Continue recruitment, policy development and performance management focus

At the end of 2018 IRD staffing numbers were at 108 positions filled out of a total establishment of 121 positions. Eight appointment processes were conducted during the year. We are currently sitting at 90% of our establishment which is a 3% increase on 2017. This is a continued focus for us in 2019.

The IRD Attendance Policy was reviewed and endorsed. IRD also sustained a time clock system for staff which has improved attendance and received high praise from the Ministry for the proactive initiative taken.

Some Performance indicators:	Actions Taken
<p>Continue human resource policy development, specifically:</p> <ul style="list-style-type: none"> <li>• Recruitment, selection and induction</li> <li>• Staff development and training</li> <li>• Gender</li> </ul>	<p>There was a briefing session for all panel members this year to ensure panel members are aware of the requirements. This continues to increase our recruitment capability.</p> <p>Technical Assistance has been provided and learnings gained from our Fiji Pacific Networking Trip.</p>
Induct new staff	There was an Induction Program held for eight new staff
Fill vacant positions	In 2018, 15 positions were successfully filled. Eight positions are still progress and will roll over into 2019.
Improve recruitment and induction procedures	The Recruitment Policy was circulated to all Division staff. IRD HR staff ensures that the guidelines provided in the policy are being adhered to. Learnings from the Fiji trip are to be implemented in 2019.

<i>Develop team and individual work plans for all staff and ensure they are actively monitored</i>	Individual work plans have been developed for all IRD staff members at every level up to the Commissioner.
<i>Strengthen performance management (planning, measurement, reporting) at all levels</i>	The above referred to workplans have provided a basis to monitor and measure individual performance. Officers report against each item in their individual workplan on a monthly basis and the team leader summarises these individual reports to create the team report to submit to the ADC. The ADC then further summarises this information in a Section Report which goes to the Deputy Commissioner in preparation for HOD meeting.
<i>Monitor and enforce the time and attendance policy. Follow up on cases of non-attendance</i>	The Attendance Management Policy was strongly reinforced. A number of non-attendance cases resulted in salary deductions as required under the Attendance Management Policy. We are now beginning to focus on more serious disciplinary steps in the cases of staff with ongoing attendance issues.

## Improve Office and Asset Management

### Complete building changes, maintain asset management

In order for most IRD Staff to concentrate on revenue collection we have critical logistical and support tasks which are required.

This is always an area we can improve and develop, however like every year before 2018 was a year of hard work for our Operations Team. Some of the key achievements are listed below.

**Right:** Our operational staff providing critical support and logistical services to IRD



<b>Some Performance indicators:</b>	<b>Actions Taken</b>
<i>Complete office changes and improvements</i>	Audit Staff are now relocated onto the same premises as the main IRD building. Scoping and design work for 2019 is underway.
<i>Maintain asset management focus</i>	All IRD assets have been registered and managed according to the MOFT Asset Management Guidelines.
<i>Improve office security</i>	There was a commitment from MoFT CSS to install biometric access systems to the IRD building in 2018 however this was not undertaken.
<i>Improve management of customer records</i>	This is a key area of focus for 2019
<i>Progress building work to establish a dedicated customer service area</i>	This work has been discussed with MoFT CSS and is planned for 2018. We are at the tender stage.
<i>2019 funding bids are coordinated and are submitted on time</i>	2019 funding bids have been discussed by the Financial Management Committee and prepared and submitted on time to the Financial Controller MOFT. The 2018 Annual Procurement Plan was developed and submitted along with the budget bids. Significant work was put into this including a successful bid to establish five new positions for an Executive Support Unit in 2019.
<i>Improve management of office vehicles</i>	Office vehicles have been allocated to each Section within IRD for better oversight by ADCs. This has resulted in better co-ordination of official trips. All IRD authorised drivers have G-permits to drive fleet vehicles. We employ a dedicated driver to assist in the transport of our people for work commitments and meetings. Office vehicles were serviced regularly as scheduled.



# Improve Our People Capability

## Strengthen staff capacity

### Implement Training Plans

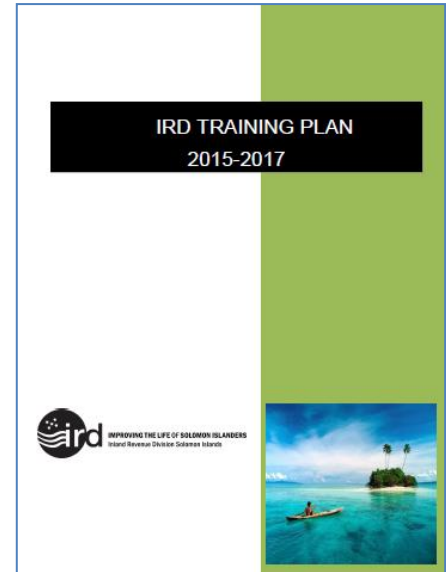
Based on the results of a training needs analysis and the development of a competency framework in 2014, IRD identified the key skills development and learning needs of the staff. Based on this information, four major capacity building projects were designed and commenced in 2015. This is a huge achievement for IRD and these projects were funded by New Zealand Aid. A Capacity Building Adviser was engaged up until the end of 2016 to develop and manage these projects. In 2017-18, this responsibility was taken on by the HR Team Leader to organize and manage this training. They were:

#### 1. IRD General Skills Training Program

This program comprised a three-year schedule of short skills-based training for all levels of IRD staff. Typical subjects to be covered include supervision, time management, customer service, decision making and problem solving, communication, business writing etc. All the training and materials to be developed will be designed and tailored specifically for IRD and based on our operations and client needs.

The project includes the provision of all training materials to IRD for its future use, and the development of co-trainers who will work with the training consultants during the conduct of the training. This will enable IRD to have an in-house capacity to conduct its own general skills training in the future. This project also went to tender and was won by a New Zealand training and development company.

The project commenced in 2016 and was completed in 2018. In 2018 specifically, a total of eight workshops were conducted for approximately 88 IRD staff. The workshops were on a range of topics including – team building, leadership, training, decision -making, problem solving, negotiation skills and customer service. Staff at all levels across the Division attended these workshops. In order to ensure that the learning is being implemented back in the workplace, each participant had to complete an action plan at the end of each workshop to take back to their manager for implementation.



**Effective Team Training** – January 2018

## 2. IRD Tax Technical Training Program

This program was aimed at teaching IRD staff how to design and conduct tax technical training. An international selection process was undertaken and a tax training specialist from Australia were contracted to conduct this project and it commenced during 2016.

The first phase included the development of the three training courses – Introduction to the Solomon Islands Tax System, Introduction to Income Tax and Compliance Risk Management. Staff worked with the consultant to design the training packages and then trialed packages by conducting them for a group of IRD staff – who were asked to provide feedback to the IRD trainers. Packages were subsequently modified based on this feedback. In the first half of 2017, this program was delayed because the Tax consultant was diagnosed with a medical condition and was unable to fly to Honiara. However, he managed to write five tax training courses, and these are:

- Reading and Interpreting an Act
- Understanding the Accounting Process
- The Debt Collection Process
- The Income Tax Assessment Process
- Understanding Withholding Tax

In 2018, two more training packages were developed, and by December 2018, IRD start to provide tax technical training for all IRD staff, and to independently design and conduct tax training without support from external consultants.

## 3. Other training opportunities

The training outlined above represents a huge investment for the Division and as such other training opportunities have been somewhat limited. We did however also support six staff studying part-time at either SINU or USP and four staff members studying full time – two in Honiara and two overseas. The table below shows general training opportunities staff received.

**Figure 12**  
**2018 Skills Development**

Training Provider	Training/Conference	No. of Attendees
IPAM	Code of Conduct	8
	Know your Public Service	5
Free Spirit	Effective team work	35
	Quality Customer service	14
	Skills of effective Team leader	25
	<b>Total</b>	<b>87</b>



**IRD and MoFT Leader's ACU Graduation - Brisbane, Australia in April 2018**

<b>Some Performance indicators:</b>	<b>Actions Taken</b>
<i>Provide opportunities for staff to participate in relevant professional networks and attend relevant external skill development courses</i>	All IRD people have had the opportunity to be involved in either internal or external development opportunities this year. More than 20 officers have attended skill development courses with IPAM. We also supported six staff in part-time study at SINU and three people studying full-time at the USP Honiara Campus, ACU, and SINU.
<i>Participate in/initiate capacity building opportunities between IRD and other Pacific countries</i>	Three of our senior officers have attended workshops overseas or in other Pacific Island countries. We have also undertaken a networking trip to Fiji Revenue and Customs Service.
<i>Training for Senior IRD staff on how to develop presentations.</i>	This training was completed as planned and formed part of the General Skills Training Program as outlined above.



As active members of PFTAC we received technical assistance through PFTAC on multiple occasions in 2018. Above are senior IRD Executive members along with PFTAC Regional Rep Georg Esseyline.

## **Establish career planning**

### **Develop a career planning program**

Formal work on a succession planning process was due to begin in 2018 however it was not achieved.

<b>Some Performance indicators:</b>	<b>Actions Taken</b>
<i>Establish a career/succession planning program linked to the IRD Leadership and Management Development program</i>	This work in some respects is part of the Leadership & Management Development Program in that it supports this future scenario. Formal work on a succession planning process was planned but not achieved during the year. CSS MoFT also have work planned in this area, supported by a Technical Advisor.
<i>Develop a mentoring program</i>	This forms part of the Leadership & Management Development Program but will require committed follow-up in future years to make sure it is properly established and maintained.



## Promote gender equity and diversity

### Establish a set of initiatives

Awareness about gender equity/ equality in the public sector in the Solomon Islands is still only in its very early stages. A Gender policy was developed and endorsed by the IRD Executive in 2016. This policy attempts to address the issues through practical and achievable activities and practices that can make a difference – some of which have already been occurring in IRD.

Some Performance indicators:	Actions Taken
<p><i>Establish a program of initiatives to address gender equity and diversity within the division</i></p>	<p>We have ensured that recruitment and selection panels have both men and women on panels.</p> <p>In previous years, IRD have selected only male officers for full time study leave, however prior to 2017, the Executive have decided to approve two female officers for full time study leave in 2018.</p> <p>When IRD is being represented externally or there are interesting development opportunities we are always mindful of making sure our female staff and leaders are well represented. An example was one of our female Team Leaders accompanied the Commissioner and an Advisor on a trip to New Zealand in late 2018 to go to NZ IRD and meet key government representatives.</p>

