



## A Guide to Instalment Arrangements - paying overdue tax by instalments

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This guide sets out how instalment arrangements will operate when you (the taxpayer) have tax arrears.

Arrears occur when a payment of tax is not paid on or before the due date, and include the amount that was due plus any penalties that apply.

### **How can I enter into an instalment arrangement?**

If you cannot pay your tax arrears in full you may request an arrangement to pay the arrears by instalment. The IRD officer will discuss all other options for full payment with you.

The decision by IRD to accept an instalment arrangement must strike a balance between assisting a taxpayer to meet their tax obligations and protecting the revenue of the Government by collecting the taxes that are owed in the shortest possible time.

Before agreeing to an instalment arrangement IRD will consider a number of factors, including:

- Why have you got into this position?
- Will you be able to meet other tax commitments during the arrangement?
- If you have entered into an instalment arrangement in the past, did you comply with that arrangement?
- Do you owe money to other creditors? What commitments have you made for payment to other creditors?
- What is the highest amount you could pay and still be able to meet your essential financial commitments, such as accommodation, transport and ongoing taxes?

### **How long will the instalment arrangement be for?**

Although an instalment arrangement will vary for different taxpayers, a normal agreement will require you to pay 50% of the arrears within 30 days of the instalment arrangement being agreed upon.

The remainder should be paid in no more than 5 equal payments, no more than one month apart.

If you also have outstanding tax returns, the filing of these returns, within a set timeframe will form part of the instalment arrangement.

### **What Tax types can be covered under instalment arrangements?**

Instalment arrangement can apply to the following tax types;

- Income Tax (including PAYE and other withholding taxes),
- Goods Tax,
- Sales Tax

In the case of withholding tax, an instalment arrangement will be agreed to only if you have deducted withholding tax but not passed this to IRD.

If the taxes you owe are for more than one tax type and one of those is PAYE, Inland Revenue will expect that the PAYE arrears be paid in full before an instalment arrangement will be agreed for the remaining taxes.

This is because PAYE is money that you hold in trust on behalf of your employees and the Government.

## What penalties and interest are charged during instalment arrangements?

The table below shows how penalties and/or interest apply to an instalment arrangement

Tax Type	An instalment arrangement will have the following effect:
Income Tax (Final tax and Provisional tax)	<ul style="list-style-type: none"> <li>Interest of 1.25% per month will be added to the outstanding balance</li> <li>Penalties will not be applied from the date the instalment arrangement is agreed.</li> </ul>
Goods Tax	<ul style="list-style-type: none"> <li>Penalties will not be applied from the date the instalment arrangement is agreed</li> <li>There will be no interest charge.</li> </ul>
PAYE (Income tax)	<ul style="list-style-type: none"> <li>Interest of 1.25% per month will be added to the outstanding balance</li> <li>Penalties will not be applied from the date the instalment arrangement is agreed.</li> </ul>
Sales Tax	<ul style="list-style-type: none"> <li>Penalties will continue to be applied during the instalment arrangement</li> <li>There will be no interest charge.</li> </ul>
Other Withholding Taxes (Income tax)	<ul style="list-style-type: none"> <li>Interest of 1.25% per month will be added to the outstanding balance</li> <li>Penalties will not be applied from the date the instalment arrangement is agreed.</li> </ul>

## What happens if the instalment arrangement is broken?

An instalment arrangement is deemed to be broken if:

- Instalment payments are not paid by the due date
- You get into arrears for another tax type/period during the instalment arrangement
- You do not file all outstanding returns within the timeframe set out in the instalment arrangement


If an instalment arrangement is broken, penalties will be recalculated from the beginning of the instalment arrangement, and you will be required to make full payment of the balance of arrears. Any future instalment arrangement requests may also be declined.

Contact Inland Revenue if you need assistance:

 Telephone our Debt Management Team on 22303

 Visit our website [www.ird.gov.sb](http://www.ird.gov.sb)

 Send mail to PO Box G9, Honiara

 Visit the Inland Revenue office at the MOFT Compound on Mendana Avenue