



IMPROVING THE LIFE OF SOLOMON ISLANDERS
Inland Revenue Division Solomon Islands

Proposed Provisional Tax Changes for Non-Standard Balance Dates



What is this about?

- We have quarterly meetings with a group of tax agents
- In 2013, the tax agents asked us to align the provisional tax payments for non-standard balance dates with those taxpayers' income year.



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What happens for standard balance dates?

There are four payments:

1. 20 March
2. 20 June
3. 20 September
4. 20 December



What are non-standard balance date taxpayers?

- The standard balance date is 31st December – so income year aligns with calendar year.
- A non-standard balance date is any taxpayer who does not have a balance date of 31 December
- Non-standard balance dates are about 9% of taxpayers.
- Income Tax Act divides them into two types – Late and Early balance dates.



What is a “late balance date” taxpayer?

- A taxpayer who has a balance date between 1 January and 30 June
- Why are they called “late balance dates”
- Because ITA makes them return income in the calendar year before their balance date.
- The balance date occurs after the calendar year ends.



How does a late balance date t/per currently pay provisional tax?

- They pay provisional tax payments on the same dates as a standard balance date taxpayer.
- So they pay on the 20th of Mar, Jun, Sept & December.
- Even though their income year may not end to 30 June of the year after that.
- Can end up paying six prov tax payments before an assessment
- This has downstream affects on provisional tax increases.



What is an “early balance date” taxpayer?

- A taxpayer with a balance date between 1 July and 30 December
- Why are they called “early balance date” taxpayers?
- Their balance date occurs before a standard balance date or calendar year ends



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How does an early balance date taxpayer currently pay provisional tax?

- They pay provisional tax payments on the same dates as a standard balance date taxpayer.
- So they pay on the 20th of Mar, Jun, Sept & Dec
- For some instalments, they pay prov tax after their income year ends
- This has positive effect for the taxpayer on prov tax payments.

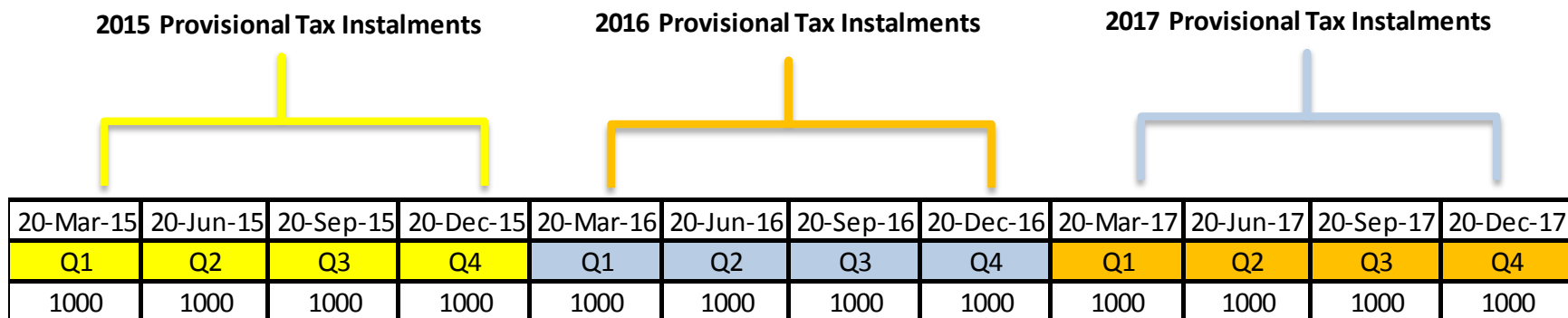


What was the tax agents forum proposing?

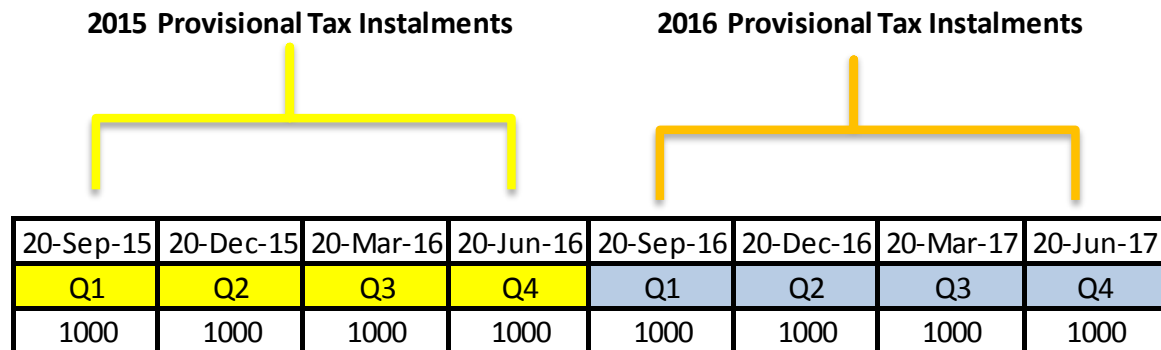
- Every taxpayer – whether standard or non-stand balance date – should pay provisional tax instalments in the four quarters of their income year.
- IRD agree to do this, if it will help taxpayers.
- Need to make sure taxpayers affected agree
- Hardest part is the transition

Late Balance Date Instalments

Way this currently done - 30 June Balance Date



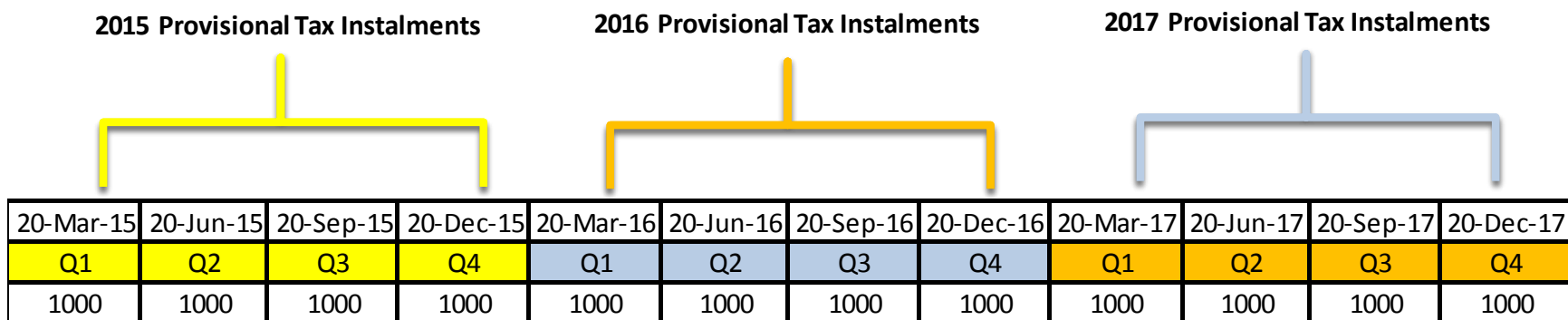
Way it will be done in the future - 30 June Balance Date



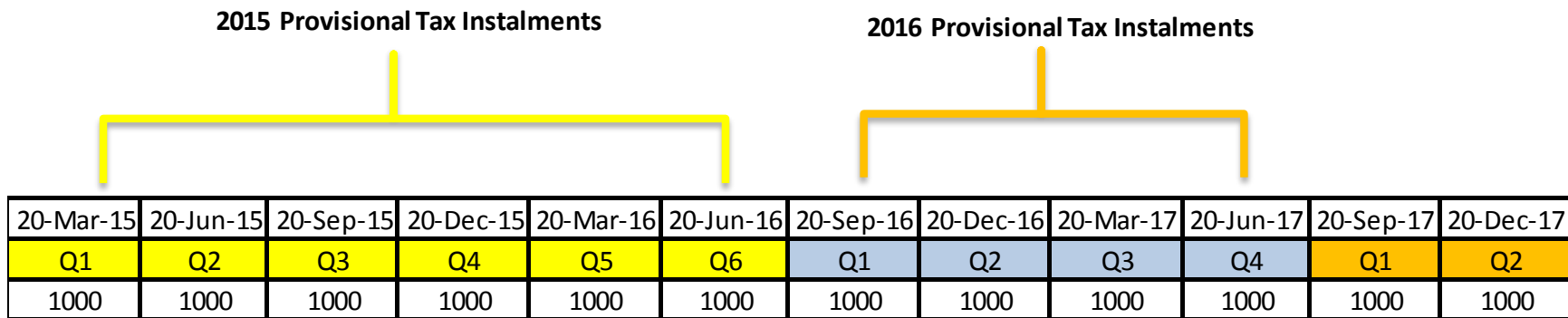


Late Balance Date - Transitional

Way this currently done - 30 June Balance Date



Way it will be done in the transitional year - 30 June Balance Date

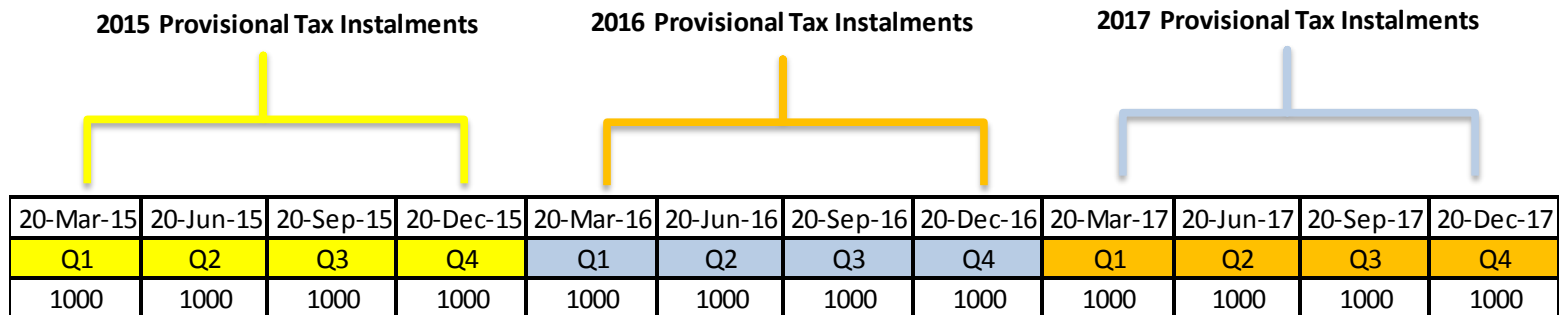




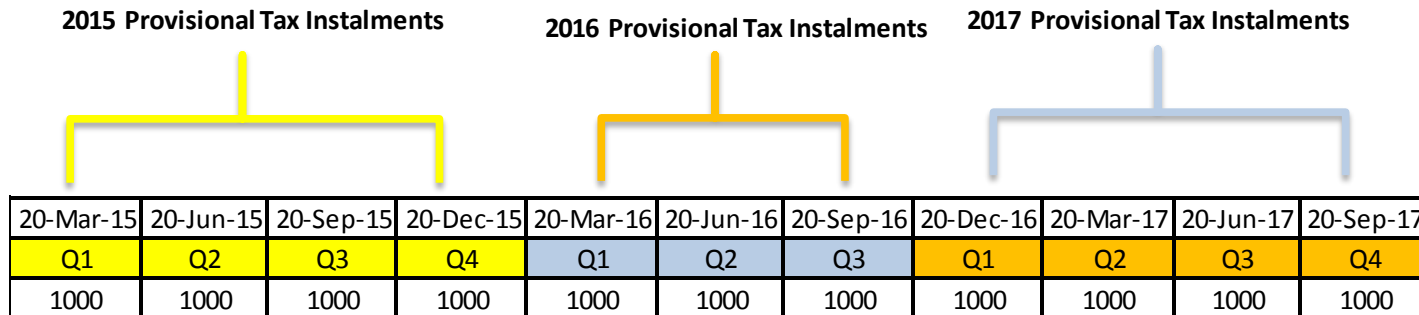
Early Balance Date - Transitional

Early Balance Date Taxpayers

Way this currently done - 30 September Balance Date



Way it will be done in the transitional year - 30 September Balance Date





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How will the transition affect Standard Balance Date Provisional Taxpayers?

Standard Balance Date Taxpayers

- **Not at all – life is as normal**
- **Make four provisional tax payments on the normal dates**



How will the change affect Late Balance Date Provisional Taxpayers?

Late Balance Date Taxpayers

- They would pay same amount and number of Provisional Tax Instalments in 2016.
- One (or more) of those will be attributed to the 2015 income year, so they will get a refund.
- Overall, they would end up paying less, as they have paid more in prior years.



How will the transition affect Early Balance Date Taxpayers?

Early Balance Date Taxpayers

- They will pay the same number of provisional tax instalments in 2016.
- One or more of those instalments may be attributed to 2017.
- May have less prov tax instalments attributed to 2016 year, so would pay more terminal tax in 2017.

