

A Guide on Liability of Director or Controlling Shareholder.

Section 14 and 15 of the Tax Administration Act 2022

“Director”, in relation to a company, means any person occupying the position of director of the company.

“Controlling shareholder”, of a company, means any person who beneficially holds directly or indirectly, either alone or together with an associate or associates:

- (a) more than 50% of the voting rights in the company; or
- (b) more than 50% of the rights to dividends; or
- (c) more than 50% of the rights to capital.

“Liability” includes a potential or prospective liability in respect of future income.

Liability of Director or controlling Shareholder.

- Liability of director or controlling shareholder applies if an arrangement has been entered into with the intention or the effect of rendering a company unable to satisfy a current or future tax liability under the tax law.
- Every director or controlling shareholder of the company at the time the arrangement was entered into is jointly and severally liable for the company's tax liability.

Limit of director's liability

A director of a company is not liable for tax liability of the company if:

(a) the director, on becoming aware of the arrangement:

- (i) dissented from the arrangement and ensured that the company

formally recorded his or her dissent; and

- (ii) notified the commissioner in writing of the arrangement; and

(b) the commissioner is satisfied that:

- (i) the director derived no financial or other benefit from the arrangement; and
- (ii) at the time the arrangement was entered into, the director was not involved in the executive management of the company; and
- (iii) at the time the arrangement was entered into, the director had no knowledge of the arrangement and could not reasonably have been expected to know it.

Where is the law relating to this?

You can find the relevant law for liability of director or controlling shareholder and limits of director's liability in:

- *section 14 and 15 of the Solomon Islands Tax Administration Act 2022.*

Who should I contact if I need more information on this?

You can contact Inland Revenue's Taxpayer Education Team on 21493.