

A Guide to Withholding Tax (WHT)

Payments of a specified nature are subject to WHT. The Payer is required to deduct WHT and pay it to Inland Revenue.

Who is affected by WHT?

The **Payer** - the person or entity making a specified payment. It is the payer who deducts WHT from a payment and pays it to Inland Revenue.

The **Payee** - the person or entity who is the recipient of a specified payment. The payee will receive the payment less the WHT deduction.

What is WHT?

WHT is an advance payment of the Payee's end of year income tax obligation. For resident payees it is a credit against that - unless it is a final tax (refer over).

What are the key aspects of WHT?

- WHT is a deduction of tax from specified payments.
- The Payer is required by law to deduct the WHT.
- There are a range of payment types that are subject to WHT.
- WHT must be deducted from specified payments made to both residents and non-residents of the Solomon Islands.
- The rate (%) of WHT that must be deducted varies - depending on the type of payment (see list).
- The Payer deducts WHT from the gross (total) payment and makes payment of the net amount to the Payee.

What are the Payers responsibilities?

The Payer must:

- identify the correct rate(%) of WHT that should be deducted (refer to list)
- deduct WHT from the gross payment, and
- using form IR16 or IR17, make payment (of the WHT that has been deducted) to Inland Revenue by the 15th of the following month
- complete an Annual WHT certificate (IR14)

Are there exemptions or exclusions?

In some cases a Payee may be paying provisional tax and will obtain an exemption from WHT. An Inland Revenue letter will be evidence of this and must be supplied to the Payer in all cases. The Payer should keep a copy of the Inland Revenue letter as proof. Otherwise the Payer must deduct the WHT.

Are there tax credits for non-resident payees?

In most cases a non-resident Payee will be able to get a credit for the amount of WHT deducted in the Solomon Islands when they complete their tax obligations in their country of residence.

What documents are used to record WHT?

The Monthly Payment Summary Form (IR16 or IR17) should be completed by the Payer to document the WHT deduction. This form will accompany the payment of WHT that the Payer makes to Inland Revenue.

The Payer is required to give a copy of this form to the Payee - as evidence of the amount of the payment and the tax that has been withheld.

The Payer is required to complete an Annual Withholding Tax Certificate (IR14) and provide it to the Payee. The Payee is required to attach this certificate to their annual income tax return.

It is important that the Tax Identification Number (TIN) of both the Payer and the Payee is recorded on all forms. These forms are available from the Inland Revenue office and from www.ird.gov.sb

What are the payments that are subject to WHT and how much WHT is to be deducted?

Rates of Withholding Tax - for Payments to Residents	
Interest ¹	10%
Contracting and/or subcontracting	7.5%
Royalties	10%
Fishing Operations	10%
Lease of Property	10%
Sales of marine products	10%
Stevedoring services	15%
Dividends paid to a resident corporate or individual shareholder	20%
Dividends paid to a resident body of persons, other than a corporation, eg a trust	30%
Professional Services	20%
Income from management Services	30%
¹ In some cases WHT does not have to be deducted from interest payments. Contact Inland Revenue to check.	

Rates of Withholding Tax - for Payments to Non Residents	
Interest	15%
Professional Services	20%
Royalties or other like payments	15%
Contracting	7.5%
Income from ships and aircraft	5%
Insurance Premiums and premiums on insurance	15%
Rent for the hiring of films	5%
Pole and Line Fishermen	10%
Purse Seiner Fishermen	15%
Lease income	15%
Income from Management Services	35%
Dividends ²	30%
Payments to mining contractors and sub-contractors	7%
Lease of property	10%
² If the dividend is paid by an approved mining company, WHT does not need to be deducted.	

When is WHT a final tax?

In the cases listed below WHT is a final tax – provided that the correct WHT amount has been deducted and paid to Inland Revenue.

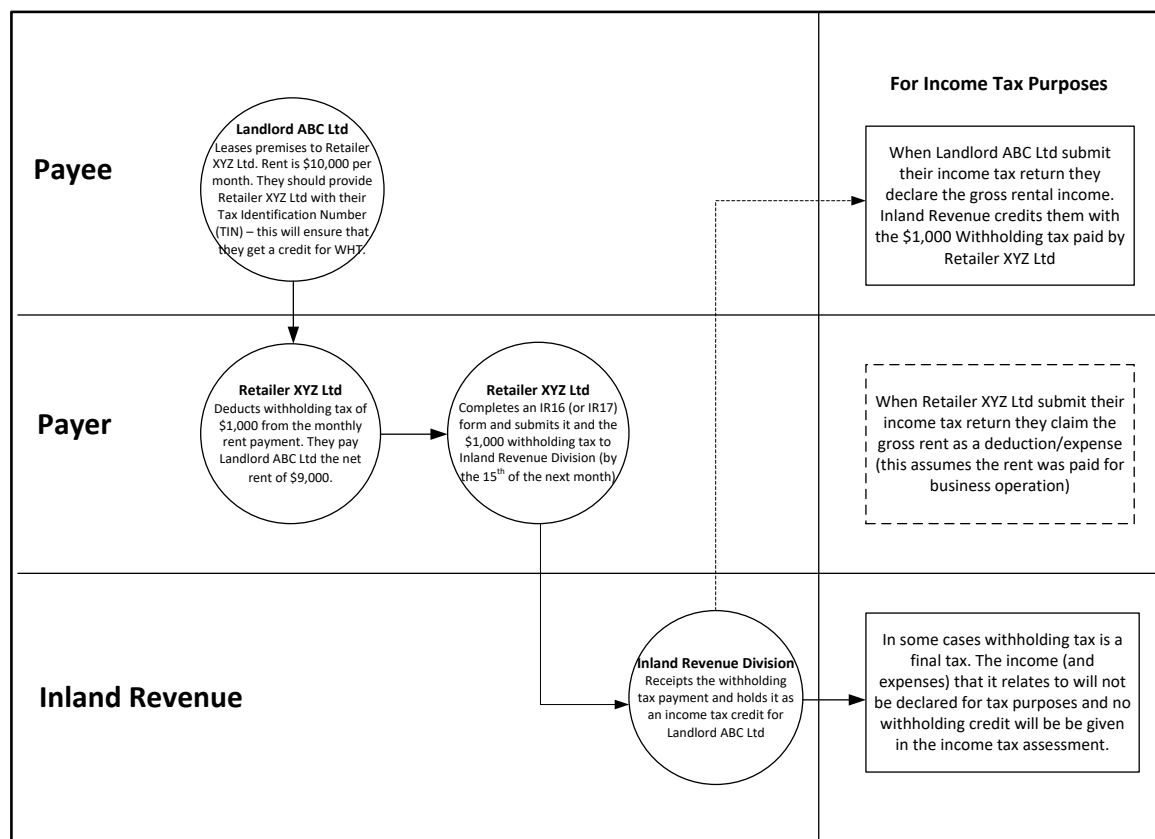
Payee type	Payment type (refer list overleaf)	Exceptions
Resident individual	<ul style="list-style-type: none"> Contracting Royalties Fishing Operations Sales of marine products Stevedoring services 	Except when the total income of the resident individual is more than \$10,000 for a year.
	<ul style="list-style-type: none"> Dividends Interest (where paid by a financial institution) 	Except when the resident individual has received income from dividends, interest or directors fees, which total more than \$10,000 for a year.
	<ul style="list-style-type: none"> Lease of Property 	
Resident body (a resident body of persons <u>other</u> than a company)	<ul style="list-style-type: none"> Contracting Royalties Fishing Operations Sales of marine products Stevedoring services Dividends 	
Non Resident	<ul style="list-style-type: none"> All payment types 	

What does it mean if the WHT is the final tax?

For the Payee, the WHT is the only tax that will be deducted on that income. The income will not be assessed for income tax purposes. It should not be included in the Payees income tax return. Any expenditure incurred in deriving the relevant income is not deductible for income tax purposes.

If a Payee's only income has had WHT correctly deducted and paid to Inland by the Payer, that WHT is a final tax – the Payee is not required to furnish an income tax return.

What is the monthly WHT process?



Contact Inland Revenue if you need assistance:

☎ Telephone us on 21493

✉ Email us at Taxeducationteam@mof.gov.sb

🌐 Visit our website www.ird.gov.sb

✉ Send mail to PO Box G9, Honiara

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