



IMPROVING THE LIFE OF SOLOMON ISLANDERS
Inland Revenue Division Solomon Islands

A Message from Inland Revenue
P O Box G9, Honiara
Telephone 22556

Withholding tax on Professional Services and income from Management services paid to residents to start from 1 March 2018

Do you pay residents for professional services or management services? If so read on

The Minister for Finance recently signed an Order imposing withholding tax on professional services and management services payments to residents from 1st March 2018.

Any person who makes a payment to a resident for professional services or management services on or after 1st March 2018 will have to withhold tax at the rate of 20% of the gross payment from professional services and 30% for management services.

What are professional services?

Professional Services is any payment for professional or technical services or services of an advisor or consultant on behalf of a person or entity resident in Solomon Islands. The services can be rendered wholly or partly in Solomon Islands. There is no requirement to withhold from a reimbursement of travelling or accommodation expenses which are wholly and exclusively incurred in relation to the contract.

What is management services?

Management services" is any payment made by any person to any other person or entity where such services are rendered wholly or partly in Solomon Islands or outside Solomon Islands for the provision of industrial or commercial information, advice on management, administration, or control in respect of the operations of any company or entity, to the extent that such payments do not constitute -

(i) employment income; or

(ii) reimbursement of travelling or accommodation expenses which are wholly and exclusively incurred in relation to such payment;"

If I pay professional or management services what are my obligations?

If you make a payment for professional or management services you must

- Withhold tax at the rate of 20% in respect of Professional services and 30% in respect of Management services at the time you make the payment;
- Provide the payee with a tax deduction advice (confirming the amount of tax deducted);

- Pay the tax to IRD by the 15th day of the month following the date of payment (for example if you make a payment of \$1000 for professional services on 7 March 2018 you must withhold \$200 at the time you make the payment and pay the \$200 to IRD by 15 April 2018);
- Lodge a monthly return with IRD summarising all your withholding tax payments for the month by the 15th day of the following month and
- Complete an annual deduction certificate summarising all your withholding tax payments for the year (one copy to payee and one to IRD) by 31 January of the following year

If the correct amount of tax has been deducted and remitted the tax withheld will be allowed as a credit in the payee's income tax return.

If you are unsure of your obligations or would like more information then contact IRD by telephone 22651 (George Po'oikeni/ Steven Abia), 28245 (Casper Sonia), 28224 (Anthony Kivolyn) or at our Customer Service Centre.