



CENTRAL BANK of SOLOMON ISLANDS

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Let's get digital: A New Tax Payment System for the Nation

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Just recently this year, the Solomon Islands Government (SIG) made a commitment under the Better than Cash Alliance (BTCA) to use electronic payment channels.

Following this commitment, the Pacific Financial Inclusion Programme (PFIP) in partnership with SIG Ministries, the banks and other stakeholders, ensured that a project targeting the Solomon Islands Government Inland Revenue Department (IRD) would help introduced a modernized and automated type of taxation system.

For years, Inland Revenue Department (IRD) has faced challenges with its tax payment system in regards to its manual operating process.

What has been a challenge was now made easier with the newly implemented automated system that will now improve taxation-related transactions in Solomon Islands.

A Positive Outlook

The system will remove manual process of lodgment, receiving, analyzing, and would greatly improve response times and accuracy of assessments on tax payments of clients to the IRD.

Which simply means, the process of tax payment would be more convenient, accurate, and timely than it was before.

Reportedly, tax departments across PFIP's portfolio of Pacific countries are characterized by manual processes of receiving tax returns, assessing and responding to taxpayers, limited payment options for taxpayers wishing to pay taxes, significant cash handling in both the receipting and payment functions and risks of cash-reliant activities.

The project as highlighted above, will not only address those core challenges facing revenue departments in the Pacific, but also provide opportunities to test and implement in the Solomon Islands, an electronic and online tax management system, which will be replicated across the Pacific.

At the launching of this project, Deputy Governor of Central Bank, Gane Simbe, in his speech highlighted that the decision under this partnership agreement to digitize the revenue management is a vital part of the government's payment flows.

"The Government as the largest consumer and provider of goods and services in the country has to ensure that the flow of its payments does not delay or impede economic development. Tracking revenue flow on timely manner is important in this payment flows,"

"Partnership between IRD and PFIP sends a signal to the stakeholders in economy that Government is taking leadership in its use of digital financial channel,"

"This will in turn require all others in the economy; to follow, if they must meet Government standard, and use the digital payment channel for their payments to government (P2G)."

PFIP views the expansion of digital government-to-person (G2P) and person-to-government (P2G) transfers and payments as the single most important action that governments can take to introduce large numbers of people to digital financial services and hence financial inclusion, while also providing a critical mass of transaction volume and customers to enable sustainability of services.

A growing number of countries are employing G2P strategies to enable branchless banking models and financial inclusion as a policy objective, while also increasing transparency and traceability of funds, increasing efficiency and hence resulting cost savings.

This project brings the Solomon Islands a step closer to achieving the National Financial Inclusion Strategic goal of transferring 80% of all government payments to digital channels by 2020.

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