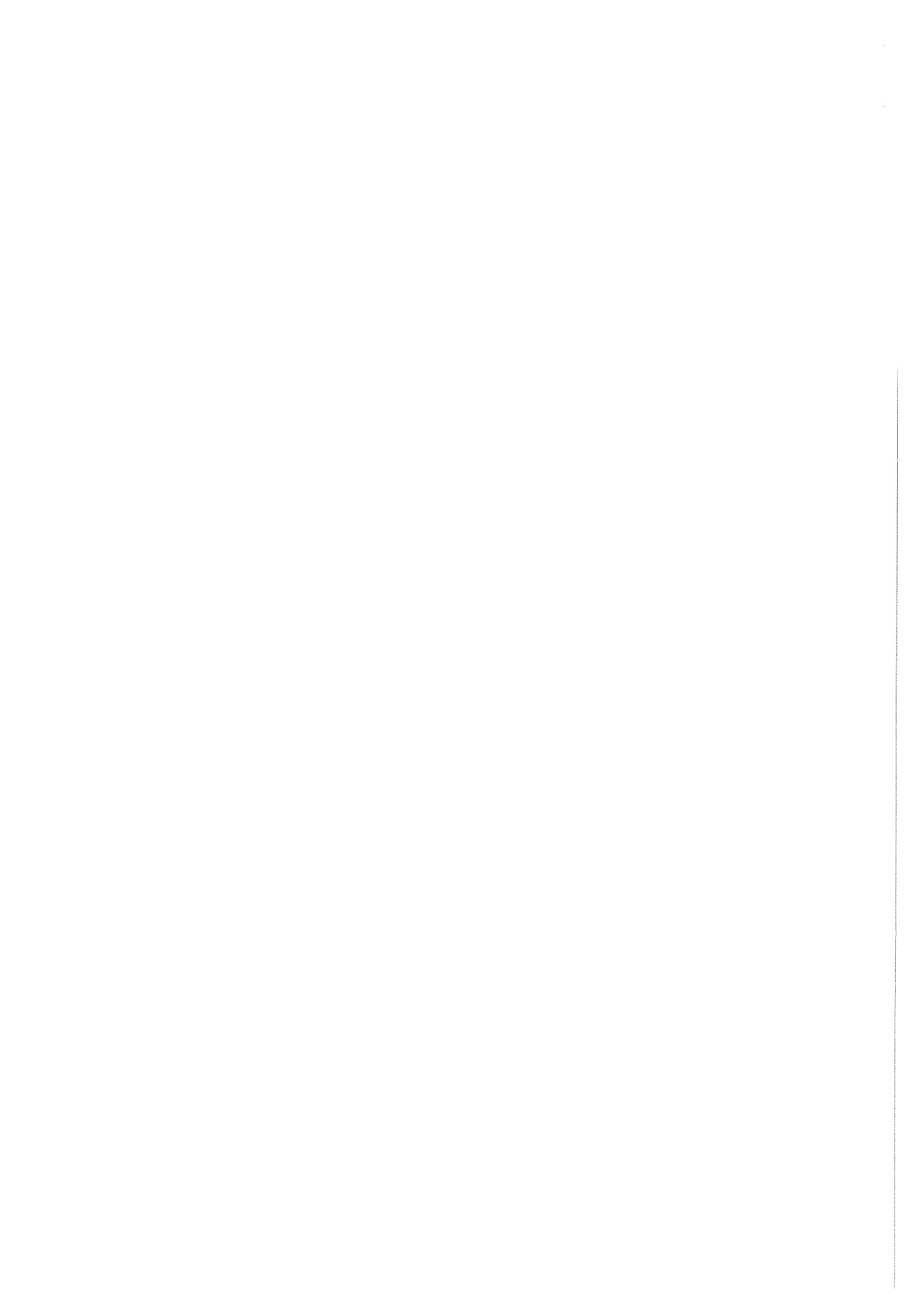




# **MINES AND MINERALS (AMENDMENT) BILL 2014**

**(NO. 6 OF 2014)**





## **MINES AND MINERALS (AMENDMENT) BILL 2014**

**(NO. 6 OF 2014)**

A

BILL

Entitled

**AN ACT** to Amend the Mines and Minerals Act to give effect to the amendments made to the Income Tax Act; which introduces a new mining tax regime.

**ENACTED** by the National Parliament of Solomon Islands.

## MINES AND MINERALS (AMENDMENT) BILL 2014

Short title and commencement

1. This Act may be cited as the Mines and Minerals (Amendment) Act 2014 and commences on the 1<sup>st</sup> day of July 2014.

Insertion of new section 36A cap 42

2. The Mines and Minerals Act (hereinafter referred to as the “principal Act”) is amended by adding a new section 36A as follows -

“Approved infrastructure

36A (1) The Minister may make it a condition of a mining lease that the company to which the mining lease is issued, construct infrastructure to be known as (“approved infrastructure”) satisfying the conditions set out in subsection (2).

(2) Approved infrastructure is infrastructure that has been designated by the Government of Solomon Islands and prescribed by Regulation to this Act as infrastructure that:-

- (a) will benefit a community of the Solomon Islands; and
- (b) can be constructed by a company holding a mining lease more efficiently than by the government of the Solomon Islands.”

Amendment of section 45

3. The principal Act is amended in section 45 -

- (a) by deleting subsection (2) and substituting the following subsection -

“(2) The rate of royalty payable pursuant to subsection (1) shall be -

- (a) in respect of gold, silver, copper, nickel, bauxite, and iron ore, three percent of the gross value of minerals removed from the site of the mine or transferred to another person if there is a disposal of the minerals to another person

prior to removal from the site;  
and

- (b) in respect of all other minerals, a rate prescribed by the Minister in consultation with the Minister of Finance.”.

(b) by deleting subsection (4) and inserting instead the following subsection -

“(4) For the purposes of this section a special fund to be known as the Mining Royalty Special Fund is hereby established in accordance with section 100 of the Constitution and all royalties paid in pursuance of this section -

- (a) in respect of minerals other than gold, silver, copper, nickel, bauxite and iron ore shall be credited to the Fund so established and the Minister may from the Fund authorise payment, not exceeding one hundred percent to be paid to the owner of the land from or under which the minerals are obtained; and
- (b) in respect of gold, silver, copper, nickel, bauxite and iron ore shall be included in the Consolidated Revenue of the Government of Solomon Islands with -
  - (i) ten percent of the royalties deemed to be received by the Government

of Solomon Islands in the capacity of a trustee receiving the royalties for the benefit of the Government of the Province in which the mining lease referred to in subsection (1) is located; and

(ii) forty percent of the royalties deemed to be received by the Government of Solomon Islands in the capacity of a trustee receiving the royalties for the benefit of the owners of the land to which the mining lease referred to subsection (1) applies in respect of the area covered by the renewal, together with the plan thereof;

(c) by inserting after subsection (5) the following new subsection -

“(6) In this section -

“gross value” of gold and silver means the London pm price fix in United States dollars as determined by the London Bullion Market Association for refined gold and silver as at the date of the refinery receipt multiplied by the certified quantity of gold and silver as issued by the relevant refinery; and

“gross value” of minerals specified in paragraph (a) of subsection (2) other than gold or silver means the market value of the minerals determined by reference to a standard specified by the Minister by way of Order.”.

**MINES AND MINERALS (AMENDMENT) BILL 2014****OBJECTS AND REASONS**

This Bill seeks to amend certain provisions of the Mines and Minerals Act relating to the payment of royalty.

The amendments are consequential in order to give effect to the introduction of a new mining tax regime in the Income Tax Act.

.....  
**MINISTER FOR MINES, ENERGY AND RURAL  
ELECTRIFICATION**

## EXPLANATORY MEMORANDUM

This Bill (along with a related amendment to the Income Tax Act) introduces a new mining tax regime in Solomon Islands. The amending legislation consolidates and modernises the arrangements governing Solomon Islands taxation of mining to encourage responsible mining activities while ensuring an appropriate return from the resources for the people of Solomon Islands.

The Mines and Minerals Act is amended by adding a new section 36A allowing the Minister to require the construction of approved infrastructure as a condition of a mining license.

Section 45 is amended by respecifying the amount of royalties. Royalties from mining gold, silver, copper, nickel, bauxite, and iron ore will be received by the Solomon Islands Government, with proportions received in trust to be passed through to landowners and the relevant Provincial Government. Royalties from these minerals will be shared according to the following proportions:

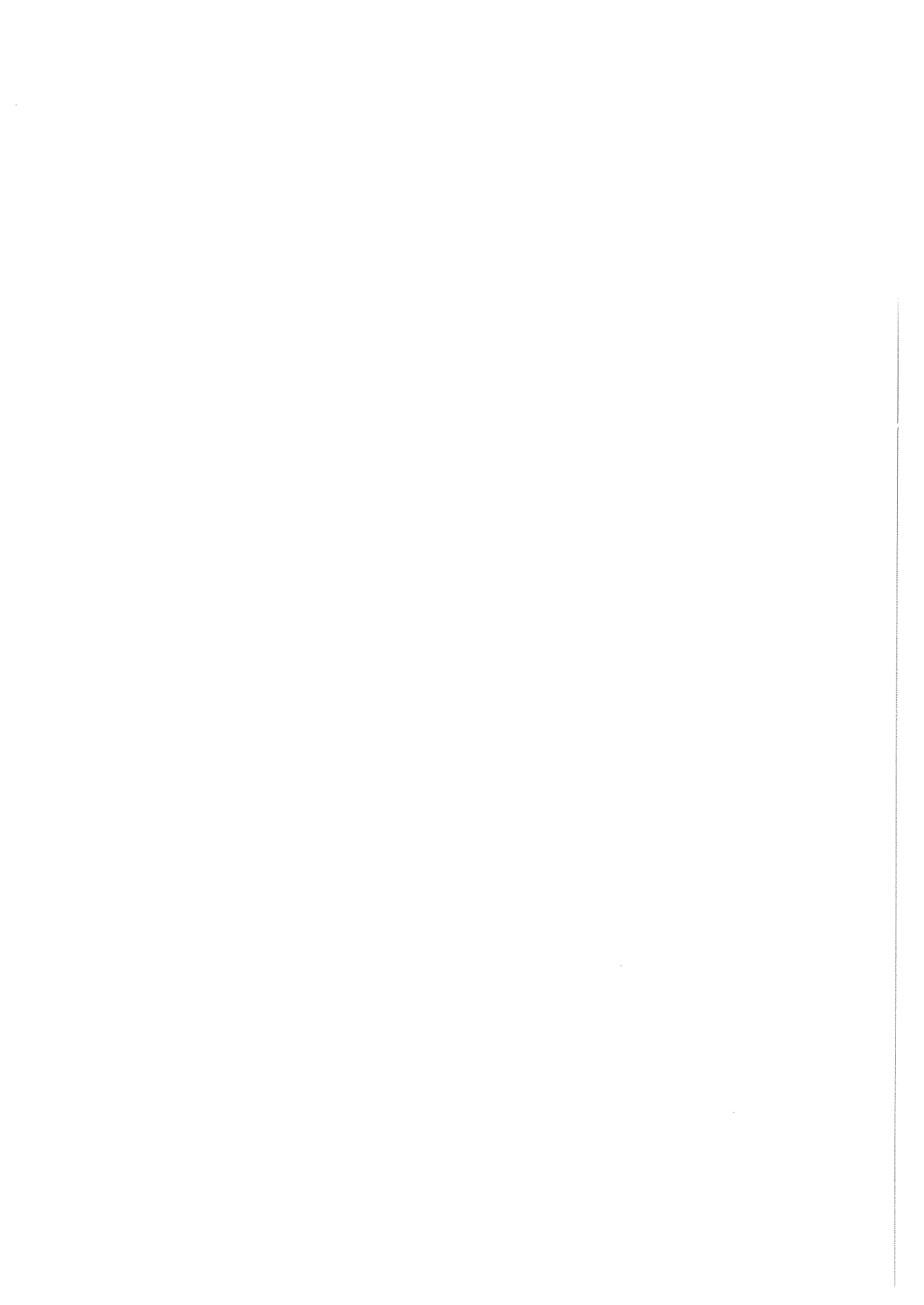
- 40% to landowners;
- 10% to the relevant Provincial Government; and
- 50% to the Solomon Islands Government.

Where a mining project is located in an area where there are no landowners (for example, an undersea mining operation) the proportion of royalties that would usually be received in trust to be passed through to landowners is instead included as Consolidated Revenue of the Solomon Islands Government.

Section 45 is also amended to clarify how the market value of various minerals is to be determined.

This Bill is to commence on 1<sup>st</sup> July 2014, to provide certainty to all stakeholders.





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