



PAPUA NEW GUINEA TAXATION REVIEW (2013 – 2015)

CALL FOR PAPERS / SUBMISSIONS

IF YOU WOULD LIKE TO HAVE A SAY IN THE DESIGN OF PAPUA NEW GUINEA'S FUTURE TAXATION SYSTEM, THEN THE TAX REVIEW COMMITTEE (TRC) WOULD LIKE TO HEAR FROM YOU. THE TRC WOULD GREATLY WELCOME PAPERS OR SUBMISSIONS.

WHO CAN SUBMIT A PAPER OR MAKE A SUBMISSION?

Any interested persons or groups. For example: individuals, industry associations, peak business representatives, industry or sector-specific bodies, government departments and agencies, churches or other special groups.

Apart from the Terms of Reference, here are some fundamental questions to assist you frame and structure your submission.

QUESTIONS

- 1. Is the PNG Government getting appropriate revenue flows from the current taxation regime? Which areas are deficient and why?*
- 2. Does PNG's current tax system treat taxpayers fairly? Does it offer a level playing field for business?*
- 3. Is PNG's current taxation regime internationally competitive? In which areas is it not, and why?*
- 4. As a tax payer, is PNG's tax system easy to understand and comply with?*
- 5. What areas of the current tax compliance and revenue administration (Internal Revenue Commission and PNG Customs Service) are hindering or obstructing the efficient operation of business?*
- 6. Does PNG have the right mix between the taxation of land, capital and labour, and between the taxation of income and consumption?*
- 7. Do you think there are opportunities to broaden PNG's tax base so as to maintain revenue as a share of gross domestic product (i.e. maintain revenue as a share of the size of the economy)?*

BACKGROUND

The O'Neill/Dion Government announced in 2013 a comprehensive review of the Fiscal Regime (taxation and non-tax revenues). This review comes under the carriage and stewardship of Hon. Don Pomb Polye, MP, Minister for Treasury. The primary objective of the tax review is to ensure that the fiscal regime remains relevant, efficient and effective and reflects current to medium term socio-economic growth and trends in Papua New Guinea.

Analysis by the Department of Treasury revealed that current growth in the economy is not translating sufficiently into optimum fiscal and revenue yields (i.e. measured as a percentage of GDP). Furthermore, the tax regime has not been updated, realigned and modernized to make it congruent with present practices of businesses.

The last comprehensive taxation review was done in the year 2000. It is over 12 years and a full review is now overdue. This presents an opportune time to take stock of the Fiscal Regime (taxation and non-taxation) with the view of instituting appropriate reforms.

The tax review is an important component of the Government's Medium Term Fiscal Strategy which aims to reduce the size of Government deficits over the medium term and ensure debt is held at sustainable levels.

Further, Papua New Guinea presently draws significant part of its wealth and revenues from natural resources, particularly from the Mining and Petroleum sectors and in the very near future the LNG sector. Resources from these sectors are non-renewable and it is absolutely critical that windfall gains derived from these sectors must be leveraged and strategically deployed and prudentially reinvested to support sustainable medium and long term growth.

Considering the risks posed by shifting vagaries and volatility of prices of resource commodities (e.g. the present substantial drop in gold price and its adverse impact on the mining sector) there is absolutely no guarantee of uninterrupted revenue streams for the State in the long-run. Although it is noted that establishment of a sound and effective Sovereign Wealth Fund in the near future may assist to mitigate this volatility.

While formally titled a "Tax Review", the review will also consider non-taxation revenues because revenue collections from these sources have not been reviewed and adjusted for CPI and as a consequence have fallen significantly as a share of the overall revenue in recent years.

The Taxation Review Committee comprised of the following distinguished Papua New Guineans who collectively have significant experience in taxation policy and administration, government, business and industry to undertake this review:

- Sir Nagora Bogan (Chairman)
- Mr David Sode (Deputy Chairman)

- Sir John Luke Crittin (Member)
- Lady Aivu Tauvasa (Member)
- Mr John Lohberger (Member)

The Tax Review Committee would like to consult widely with stakeholders which will include an opportunity for stakeholders to provide their perspectives on the broad directions for reform and key priorities. In addition the Committee will release and consult on draft reports containing specific proposals and/or recommendations.

The Terms of Reference of this Committee is to assess and recommend to the Government strategic measures which will among other things:-

- i. Align PNG's revenue system with its development aspirations of becoming a competitive middle income nation in the Asian century;
- ii. Improve the competitiveness and efficiency of PNG's taxation system to encourage investment, employment growth including overall economic development;
- iii. Consider options to change the tax mix between the levels of taxation on land (including resources), capital and labour;
- iv. Ensure that PNG's tax system remains fair, simple, user friendly and equitable;
- v. Improve tax payer compliance by considering options to enhance services to taxpayers and reduce the cost of compliance through the use of modern technology;
- vi. Ensure fees for non-tax revenues are appropriate, equitable and fair.

The Scope of the Review will cover:-

- a) Personal Income Tax Regime;
- b) Corporate Income Tax Regime;
- c) Excise and Customs Tariff Arrangements;
- d) Operation and Efficiency of Goods and Services Tax;
- e) Mining and Petroleum Taxation Regime (*On this, the TRC will be publishing a consultation paper shortly*);
- f) Tax Administration Rationalization and Modernization;
- g) Non-tax Revenues (i.e. charges and levies)
- h) Advantages and Disadvantages of Tax Incentives;
- i) Options on broadening the tax base including:-
 - Land
 - Property
 - Capital Gains

Detailed Terms of Reference for the Tax Review can be obtained from the Tax Review Secretariat.

All papers/submissions should be sent by mail and/or email to:-

Head of Secretariat
PNG Tax Review Secretariat
P.O Box 1598
Boroko
National Capital District
Papua New Guinea

Email: papers@taxreview.gov.pg

For any other general enquiries, e-mail: info@taxreview.gov.pg

To further aid transparency of the consultation process, all submissions will be published on the Tax Review website **www.taxreview.gov.pg**, unless the submission is clearly marked 'Confidential' with justification.

This general Call for Papers is open till 30 April, 2014, except for the Mining and Petroleum Taxation Regime which is due by 31 March, 2014.

Authorised by:

SIR NAGORA BOGAN, KBE

Chairman
Tax Review Committee