

Smiths

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31st March, 2014

Tax Review Panel

Internal Revenue Commission

Email Papers@taxreview.gov.pg

Dear Sirs and Madam,

Tax review

Thank you for your invitation to contribute to the PNG Taxation review.


I have a Graduate Diploma in Taxation Law from the University of West Sydney and I have been a tax agent in Papua New Guinea since 1988.

I have witnessed a serious deterioration in the workings of the IRC in my time here, particularly in the late 1990s and early 2000s. The IRC since that time, in my opinion, has become largely dysfunctional. I can see that the new Sigtas system is making improvements but the range of improvements needed is far more extensive than that currently occurring.

I attach a list of the problems as I see them and my suggestions for improvement. I hope you will treat them as constructive criticism. I am quite happy to elaborate further on any of the points I have raised in person if you would like.

I look forward to hearing from you.

Yours faithfully,

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C M Smith

Principal

Problem	Suggestion
Tax base	

The tax base is woefully less than it should be. Many many businesses in PNG have never paid any tax	Extend the tax base □tie it into the electoral roll, the new ID system and the Registrar of Companies
Many expats are paid overseas for employment services here without paying PNG income tax	Investigate and assess
PNG politicians can get deductions not available to ordinary PNG citizens	Make it one law for all
□ast amounts of per diems and daily living away allowances are not being taxed	Tax them
Income Tax Act	
The Income Tax Act is hard to follow. When persons with English as their first language find many difficulties how can persons with English as their second be expected to understand the law?	Rewrite the Act in simple English. If you are to take money of people you should be able to write the applicable law in □clear and unambiguous language□
New form formats are as user unfriendly as the old ones and they could be better designed	Make them user friendly forms □ust as other countries are at last doing
There are many anomalies in the current legislation eg trusts are taxed as companies as though they are a similar legal entity. They are not □they are relationships only	Correct all the anomalies
Income tax rates	
The income tax threshold is too low at □10,000. It has never kept pace with inflation	Raise it to □20,000. The shortfall could easily be met by increasing the tax base
Income tax rate bands seem completely arbitrary	Graduate them in steps of equal size at least for lower income levels
The income tax marginal rate, at 42□ is too high (studies show when rates exceed 10□ evasion significantly increases).	Reduce it to 35□
Problem	Suggestion
Provisional tax cannot be varied past a fixed date	Make variation open ended
Penalties at current rates are horrendous and draconian	Reduce them
Penalties and interest can be levied but there is no interest payable on refunds due	Pay interest on refunds due not paid within a month
IRC Administration	
The whole of the assessing system seems to have collapsed	Employ properly qualified managers
IRC staff are often not at work	Replace them

One of your senior expat officers is absent more than he is at work	Replace him
Your tax agent liaison officer has not responded to extension lists since 2008	Replace him
You have not had a working review tribunal for years and thus outstanding matters are not being resolved	Appoint one
The IRC rarely update taxpayer details for their tax agent. Much correspondence goes astray	Update taxpayer information
When tax evasion is reported to your staff, nothing is done	Investigate, assess and prosecute if necessary
Tax agents cannot get client statements online	Enhance system
IRC Staff deficiencies	
IRC assessors appear not to know the law	Train them, and have all documents approved by Supervisors prior to sending
Your assessors often will not make a decision and often when they do, it is the wrong one	Teach them or replace them
Objections take years and years to be determined	Teach staff how to determine objections
Problem	Suggestion
Your assessors seem to avoid meetings to deal with issues thereby missing out on fair and prompt resolutions to problems	Allow your staff to negotiate where this will resolve issues
Business payments system	
The business payments system is largely ignored by business. This was the result of the multiplicity of rates and the confusion and constant changes at its inception	Scrap it
It takes months to get a Certificate of compliance from the IRC and often it is then given only for a matter of a few months	Scrap the system