

30 May, 2014

Ms Kessy Sawang
Head of Secretariat
Tax Review Committee
C/- Department of Treasury
PO Box 542, Waigani, NCD

By email: papers@taxreview.gov.pg

RE: PNG CHAMBER OF MINES AND PETROLEUM SUBMISSION TO THE TAX REVIEW COMMITTEE ON MINING AND PETROLEUM TAXATION IN PNG

Dear Ms Sawang

We write in response to the *Issues Paper No. 1: Mining and Petroleum Taxation*, released by the PNG Taxation Review Committee (TRC) on 20 March 2014. The PNG Chamber of Mines and Petroleum (the Chamber) is pleased to provide its submission to the TRC on mining and petroleum taxation in PNG.

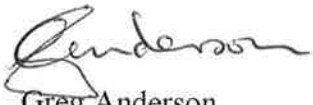
The Chamber believes the current regime for taxation of the mining, petroleum and gas industries in PNG is appropriate, and believes that changes to the regime are not required. In particular, we note that:

- The extractive industries are currently facing lower prices, higher costs, and considerable global uncertainty. The recent prosperous times for the industry are over
- Recent actions and events in PNG have already added a perceived risk factor to operating and exploring in PNG
- Increasing the tax burden, or changing the tax regime at all, may add significantly to this perception of risk
- The different extractive industries are very different and so should be taxed differently
- Now is the worst possible time to increase the tax burden, and therefore reduce international competitiveness, in PNG
- Tax regimes need to be considered on a comprehensive basis within PNG rather than targeting individual elements
- The Tax Credit Scheme is critical to PNG and should be expanded rather than scaled back
- Tax collection data indicates that during recent prosperous times the total tax collected from the industries has significantly increased – suggesting that the current system does appropriately provide higher tax revenues to the State when the industries are prospering.

As a final point, it must be noted that the fiscal regime should also be viewed in the context of other proposed reforms which impact upon the attractiveness of Papua New Guinea for future mining investment. In this regard, as part of the review process both the Income Tax Act and the draft mining legislation should be viewed together to prevent any overlap and inconsistencies.

Please contact me if you would like to discuss any aspects of the attached submission. The Chamber looks forward to working with the TRC in coming months on this important aspect of the PNG Tax Review.

Yours sincerely,



Greg Anderson
Executive Director

Cc: Mr Nagora Bogan
Chairman, TRC

Cc: Mr David Sode
Deputy Chairman, TRC

Cc: Sir John Luke Crittin
Mr John Lohberger
Lady Aivu Tauvasa
Members of the TRC