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Date: 14th May 2015

Head of Secretariat
PNG Tax Review Secretariat
Department of Treasury
P.O Box 542
Waigani
NCD

Dear Sir/Madam,

RE: SUBMISSION ON THE OPERATION AND EFFECIENCY OF GOODS AND SERVICES TAX

My name is Anoko Sasi and I am happy to make my submission on this subject after spending more than 11 years in Internal Revenue Commission as a GST Advising Officer. I am also pleased to introduce a new tax system called "STA – GST" (Standard Tax Accounting for Goods and Service Tax) to improve GST collection and reporting.

I saw the need to improve our tax accounting system and have developed a program that is self-reporting and self-auditing. This new system will trek registered taxpayers and will minimise audit works, improve revenue collection, minimise fraud, improve voluntary compliance, and minimise losses declared by companies for Income Tax purposes. The system will improve the revenue collection and compliance by 95% - 98% and the benefits will be more with the economic growth experienced now.

The new system will facilitate increased GST revenue through improved revenue collections and will minimise administrative stress on audits too. In effect, the introduction of STA-GST will make the Auditors job less daunting and increase Data or Transaction officers work. This program will involve Data Entry officers and will require minimal supervision.

I am available for a presentation and if convincing to your tax review needs, we can negotiate for the TOR of the program.

Find attached my submission paper and for more information on this submission and program, feel free to contact me on mobile: 71301700 or email: sasi_anoko@yahoo.com

Yours Faithfully,



Anoko SASI
Exposa Tax Consultants

Operation and Efficiency of Goods and Services Tax

Anoko SASI BCOM UPNG 2001

My name is Anoko Sasi and I started work with the Internal Revenue Commission in 2002 as a Goods and Services Tax Advising Officer and served for 12 years. I served as a GST Advising Officer for 6 years, 3 years as a Key Client Manager –LNG and two years as Acting GST Manager and would like to contribute to the Operation and Effectiveness of Goods and Services Tax.

Abstract

The operation of the Goods and Services Tax has been suppressed with the restructure since 2009. The GST Act 2003 as Amended is an Act of Parliament and should be managed independently as a tax type. This paper elaborates on how effective the GST operations can be if managed as a Tax Type under a Division. An effective operation will result in processes and functions managed and coordinated effectively. The operation and efficiency of GST is dependent on the effective management of the GST processes. The Goods and Services Tax affects the whole population and therefore I call on the Tax Review Team to restructure the tax administration on TAX TYPES.

1. Introduction

The road to improving the tax system and aligning with the aspirations of the government is achievable, however; it is dependent on making the GST a Division of its own where the GST Act and its operation (processes and functions) can be monitored, coordinated, administered and managed effectively. The dissolving of the of GST Division in 2009 has made the GST Act administration become ineffective where processes and functions involved in collecting GST were merged with other operations and as result there is no proper control and coordination of the GST functions.

2. Goods and Services Tax (GST) Operation & Efficiency

The Goods and Services Tax is an indirect tax that has no boundary and affects the whole PNG population including citizens and non-citizens, rich and poor people in PNG. The GST revenue is dependent on the goods and services people consume or use. There is a big correlation between income and consumption of goods and services where the more you earn, the more goods and services you consume thus ending up in paying more GST.

With this correlation, a big gap exists for improving revenue collection. The problem we have is the administration of the GST Act and the managing of the GST processes and functions. When GST was managed as a Tax Type under a Division since 1998, it was functioning well with proper coordination, control, and management. It was functioning effectively with controls on registration, inspections, refunds, audits and advisory works and the regional ports. This however changed in 2009 when the GST officers merged with other taxation operations.

The words operation of GST and efficiency of GST are two distinct words but mean better management of GST functions which ultimately delivers improved revenue collections in a timely manner. To achieve this, the operations and efficiency of Goods and Services Tax depends on the following:

2.a Administration of the GST Act 2003 as Amended

In order to effectively manage the GST Act, the functions and the processes of GST must be managed and coordinated as a tax type and reporting is centralized. The current system makes reporting confusing with process extended, resulting in poor coordination and control of work. The functions and processes of GST require skilled and trained workers who if administered properly, information is shared and work delegated, the operations will eventually become effective.

Just imagine, you break the teams up and require them to perform their same functions from different locations. This is ridiculous; the system today does not work that way. A team always works together to achieve the concerted goal.

2.b Administering Revenue Collection

Revenue collection refers to the methods used/applied to collect GST revenues. GST payments are made from: - voluntarily compliance, audits establishing liabilities, inspectors visiting taxpayers and awareness conducted when taxpayers know the correct ways of accounting of GST.

These methods help improve voluntary payments and empower taxpayers on the application of GST. We can say that Revenue Collection is a by-product of inspections, audits, awareness, advising and interpretation of GST laws and if these areas are managed effectively, GST payments will be paid on a timely manner.

2.c Administering GST Inspections and Audits

The GST inspection teams conduct taxpayer inspections and recommends for GST audits on their findings. The preliminary audit is conducted by using intelligence, media, and observation as its tool. This relationship is lacking in the new restructure.

Although we will have a new system to establish cases for audits, the tax paying culture for PNG is different. About 75% of taxpayers will pay when a tax officer fronts up at their site and tells them of their outstanding returns to lodge and outstanding liabilities to settle. I have seen this method to be very effective as letters are delayed or taxpayer will say I have not received the notices sent by IRC.

2.d Legality of GST Administration

The Goods and Services Tax Act as Amended 2003 replaced the sales tax and Provincial Governments are very interested to know their provinces collections and payments since it is a supply location based distribution. The GST Division was dissolved in 2009 with IRC corporate plan for 2008 - 2012 with the objective of "multi-skilling". Multi-skilling comes in handy when we are short of manpower and we have

specialized skilled officers to use. We never had such and the staffs are still doing the same roles they do even after the restructure.

3. Comparing Current GST Administration with Previous GST Administration

Current GST Administration (2009 – 2014)		Old GST Administration (1998 – 2008)	
1	GST operations merged with taxation operations	1	GST operations managed as a tax type in a Division
2	No proper coordination of GST operations	2	Proper coordination of GST operations
3	GST staff multi-skilled to do other tax jobs but is not happening	3	Specialized trainings for GST staff to develop specialized skills
4	Other Tax Managers of GST processes do not know the GST processes	4	GST Managers know the GST processes and they managed them effectively
5	GST staff are suppressed	5	GST staff are empowered
6	No team work	6	Team work promoted and effective
7	No career path	7	There was career path

4. GST Coordination

The table depicts the lack of effective coordination of GST functions in the current system or structure. The revenue collections are from voluntary compliance of 15% but about 85% of taxpayers are non-compliant with GST. Should there be proper co-ordination of GST, the gap of voluntary compliance will increase to 75% and it depends on the following:

- i. Effective management of GST Law and accounting for GST be maintained,
- ii. Drafting of GST manuals for auditing, returns reviews per industry and checklists,
- iii. Taxpayer education and awareness – generalized education Vs industry specific.

5. Recommendation and Conclusion

I have seen the operation of GST and sigh away from it been moving forward. The improved revenue collection depicts a false picture of improved compliance but is rather obscure. The improved collections are from voluntary payments by large taxpayers. However, the bulk of the small to medium taxpayers are not compliant. Just imagine if this group of untapped taxpayers paid their share of GST.

The question we should be asking now is how we shall administer GST to improve revenue collection. The solution is to have the GST Act administered as a Tax Type in a Division. This will have a significant improvement on the administration of GST and translate to improved revenue collections.

I am optimistic that GST administration as Tax Type under a Division is a positive way forward for the country in achieving its vision and goal to be a competitive middle income nation in the Asia Pacific Region.

To conclude, I have developed a new GST tax accounting system or method of GST Accounting called **STA-GST (Standard Tax Accounting for Goods and Services Tax)** that can assist the Commission in

improving GST revenue collections by 95% – 98%, improve compliance by 95%, minimize GST and Taxation Audits by 95%, minimize fraud on GST refund claims by 95%, improve GST reporting, minimize companies declaring losses by 95% and minimize administrative burden on GST operations. This will take GST accounting to the next level to achieve its objective of revenue efficiency. The system is ready to be installed/merged with the current system at a cost.

For more information on this submission or my new GST Accounting system (STA-GST), feel free to contact me by mobile: 71301700 or email: sasi_anoko@yahoo.com

Thank you for reading my paper.



Anoko SASI (Mr.)
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