

PAPUA NEW GUINEA TAX REVIEW 2013 – 2-15

This is a say of my view on certain aspects of our taxation system and also on behalf of all illiterates and unfortunates including low income earners who made up the three quarter of the whole population of our country. Regardless of their status, what they do, they do contribute in one way or the other to the purse of our government through direct and indirect taxes.

I have taken note of certain fundamental questions as stated below to frame my view for submission to tax review committee.

Questions:

1. Is 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? Does it offer a level playing field for individuals?
3. As a tax payer, is PNG Tax System easy to understand and comply with?
4. Does PNG have the right mix between the Taxation of land, capital and labour, and between the taxation of income and consumption?

The scope of review which I have my say on:

- a) Personal Income Tax Regime**
- b) Excise and Customs Tariff Arrangement**
- c) Operation and Efficiency of Goods and Services Tax**
- d) h) Advantages and Disadvantages of Tax Incentives**

1. a) Personal Income Tax Regime

- Salary and Wages Tax
- Overtime Tax
- Contract gratuity Tax
- Interest withholding Tax
- Retirement Benefit Tax

The tax rates are too high on all the above taxes, it requires a thorough review to reduce or do away with some of the above taxes. All our spending on all goods and services includes taxes or some sort of mark-up instead of taxes on certain basic goods and services where taxes are exempted. As we all know, all private companies main aim is to make profit and any or all costing for that matter is included in the final sale price which we consumers foot the bills. All employees having paid taxes through salary or wages yet we continue to pay tax on all goods and services again as taxes are imposed in them from our net pays. Therefore, it would be logic to do away with Salary and Wages Tax, reduce tax rates on contract gratuity, review calculations of tax on overtime payments. All monies paid to us appear to be going back to government through taxes.

Further, interest withholding tax is not necessary, this I refer to tax on IBD saving's interest on maturity paid from financial institutions to its clients. The Commercial banks and financial institutions never paid or will never pay any interests above 15% but we are paying 15% interest withholding tax to the government from interest earned at the of 1.5% to 3% on IBD savings from financial institutions which is unfair and this tax also be reviewed.

2. b) Excise and Customs Tariff Arrangement

PNG Customs Service collects most of its revenue for the state from excise duties especially from cigarettes and alcohols. The excise tariff rate on certain commodities specifically cigarettes and spirits are not steady but varies which I believe is not good for industries as is it would affect their budget and cash flow. We should have a constant tax rate for one whole fiscal year that would be conducive to industries as they paid a lot of taxes is excise to the government.

3. c) Operation and Efficiency of Goods and Services Tax

Tax Rebate/GST Refunds

GST Refunds appears to be discriminatory as only few elites are entitle to as they may have registered with GST which allows them to claim refund but what about those majority paying GST at the same rate for same or similar goods and services provided. It may be discriminatory in a sense where few

well off people (sole entrepreneurs) and companies including multimillion companies seen to be paying taxes at the point of financial transaction and later taxes paid are carefully calculated for GST Refund claim and submitted to IRC for refund. In this case, the little people are the ones really paying the tax and not the elites.

On the other hand, the illiterates and unfortunates who also pay for goods and services tax at the point of purchase at the same rate on good and services acquired miss out on GST Refunds.

Example, villagers operating PMV buses, they purchase the vehicles from Ela Motors and pay the 10% GST but will never claim any tax rebates from IRC whereas LNG or other companies who purchases the same vehicles for their company use will definitely claim GST Refund as most companies are registered with GST. It is clear here that elites are not paying taxes but little village people are.

There are also possibilities of manipulation or abuse of tax refund process or system by Tax Payers to claim more than what they supposed to claim, or they can even conspire with tax officials to defraud the state through refunds. There could be some cases with IRC which can be confirmed from them.

Further, the haves will continue to have while have nots will continue to loose; this trend will end up in, rich getting richer and richer while poor getting poorer and poorer as the haves will be seen to be paying taxes but in fact they are not and using facilities and service provided from taxes paid by have nots, or in other words you would say justice seen to be done but in fact justice not done.

This particular area needs careful review and for reconsideration on Tax Rebate/GST Refund as it is unfair and not helping all citizens across the board but providing avenues for revenue leakage or loss and is vulnerable to abuse and manipulation of process of system. A lot of monies have been paid to tax payers through GST refunds instead of Tax Payers paying to IRC.

I would refer the review committee to get record of refunds from IRC as I have no power to request such information.

d) Advantages and Disadvantages of Tax Incentives

Tax/Duty Exemptions on Companies or Developers

We have many multi-million companies coming in our country to extract (and exploit) our natural resources and are given GST (Tax) and import duty exemptions.

This is unfair to the local industries and small entrepreneurs who are struggling in this fast becoming capitalist and competitive community from socialist style of life in the recent past. Also it is unfair to the individual tax payers who are struggling for ends meet.

The NEC makes the decision to grant exemptions to multimillion companies and these companies are taking for granted the facilities and services made available from the taxes of the very small people in the village, public servants, employees of private sectors, local industries and other companies who pay all relevant taxes. The unfortunate villagers without formal employment do also contribute through indirect tax on goods and services which government use these monies for infrastructure developments like roads, bridges, education and health amongst others but what I am interested in is the use of roads and bridges by multi-million companies who are exempted from taxes.

They are using the services provided from taxes paid by very poor people, simple and low income earners and struggling local industries which is unfair. They are using the roads/bridges and damaging them with heavy loads, heavy equipment and making us dig deeper into our already torn pockets as government increase tax/tariff to collect more taxes to fix the roads, bridges, water and electricity and how much have these so called multimillion companies contributed through taxes, I believe nothing. I would suggest they pay some sort to taxes or levy for the use of Roads and Bridges, water and electricity to the relevant government departments.

Import GST should never be exempted from all imports while other duties/tariffs can be exempted. At least there is a win, win situation in which some taxes are paid to the government by the developers. After all they will be exploiting our resources for a maximum profit.

All exemption must be subject to review periodically by law, may be annually. Companies already gone into commercial production should never continue with exemption, (one classical example is RD Tuna, already in commercial operation for so many years and to date the company is still exempted from import duties).

Thank you.

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