

Article for Post Courier

Title: *Personal Income Tax – Have Your Say*

The PNG Tax Review that is currently underway has been asked to examine a range of taxes that the government imposes and collects to fund goods and services for the people of Papua New Guinea. However, the one tax that has attracted the most interest in the Review to date is personal income tax.

So what is personal income tax?

It is income tax you pay on personal income you earn in the form of salary or wages, investment income, earnings from business as a sole trader or as a partner in a partnership. Resident Papua New Guineans are taxed on their worldwide income whilst non-resident individuals pay tax only on income earned in PNG.

Individuals can access a number of ‘rebates’ which have the impact of reducing their overall tax liability. For salary and wage earners, rebates available for individuals caring for dependents are determined automatically, taken into account by the employer when deducting tax from fortnightly wages.

Salary or wage earners who have paid school fees for their dependent children can also claim a rebate for school fees paid up to the value of K750, but must lodge an income tax return to claim that rebate. The school fee rebate applies to school grades commencing elementary through to grade 12.

Personal income tax rates are progressive which means the more you earn the more you pay. Residents are eligible for a tax free threshold, meaning currently tax does not have to be paid on the first K10,000 that an individual earns. The tax rates increase as incomes increase, ending in a 42% rate applying to incomes over K250,000.

Resident individuals pay income tax on their worldwide income whereas non-residents pay income tax solely on PNG source income and non-residents cannot access the tax free threshold.

Submissions to the Tax Review received to date have highlighted a number of concerns from personal income tax payers, most clearly a concern that their tax burden is too high. They have called for an increase in the tax free threshold or a decrease in the overall tax burden through reduced rates.

What do you think?

The Tax Review Committee is currently preparing an Issues Paper on Personal Income Taxation which will consider the issues raised to date. If you wish to have a say on the future of PNG’s Tax system, please contact the Tax Review on info@taxreview.gov.pg, (675) 325 5977 or visit the website www.taxreview.gov.pg.