

What Next for Goods & Services Tax in PNG?

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Good and Services Tax (or Value Added Tax) was first introduced in PNG on 01 July 1999. GST is a broad-based domestic consumption tax that is charged on the sale of goods and services by GST-registered entities. It is charged on all stages of production but with the provision for taxpayers to offset tax paid on their own purchases of goods and services against GST charged on their sales. The end-user or consumer ultimately pays the tax.

In PNG, the rate of GST is 10%, charged on both imports and local supplies of goods and services, except for goods and services that are zero-rated or exempt from the tax. Any businesses with a turnover of K 250,000.00 must by law register for GST with the IRC.

There are a number of reasons why the GST, and similar taxes, has been applied in PNG and in countries around the world. The GST is considered a simple, fair, efficient and easy to administer tax. It is also a broad based tax, meaning it distributes the revenue burden across a wider range of people – in PNG its introduction brought into the tax net parts of the large informal sector ensuring that they also contribute to government services and infrastructure.

Continuing to spread the revenue burden remains a key issue for PNG. Personal income taxation collections are particularly high in PNG, meaning the small proportion of people in the formal sector (around 5%) continue to bear much of the revenue burden.

The introduction of the GST in PNG also enabled the country to undertake the tariff reform program as part of its broader trade liberalization commitment to the APEC and WTO. The reduction in tariffs, combined with the introduction of the GST at 10% enabled the country to reduce reliance on trade taxes but maintain government revenue.

GST has been in operation in PNG for 15 years and has not been reviewed. The Tax Review Committee is now reviewing the operation and efficiency of the GST regime and would like to hear your views. .

Some questions are:

- Is the GST being effectively and efficiently administered? What would you like to see change?
- Is the GST refund system a concern to you, and why?
- Would you support a reduction in personal income taxes if this was compensated for by an increase in GST so everybody pays their fair share?
- What reform would you like to see with the GST system in PNG?

If you wish to have your say on the future of PNG's Tax system, please contact the Tax Review on info@taxreview.gov.pg, or (675) 325 5977 or visit the website www.taxreview.gov.pg