

ATTACHMENT C

Table 1: The National Investment Policy – Volume II

	Tax Incentives	Recommendations	Implementation Status
1	Export Sales Exemption	This is a very generous tax concession and its under-utilisation suggested that there is general unawareness of its applicability and therefore this incentive was recommended to be maintained and promoted.	Repealed due to WTO obligation in the recent past budget.
2	Tax Credit Schemes	Tax Credit Scheme has had some success in providing much needed infrastructure but it lacks administrative capacity and therefore magnitude of the scheme need to be reviewed in the context of the tax review.	This tax credit scheme is not effectively managed by the Department of National Planning and Monitoring due its administrative inefficiency.
3	Tariff Reform	The IPA, IRC and the Department of Commerce and Industry should work together to promote awareness on the benefit of introducing tariff reform program.	Currently implemented. The tariff reduction will phase out in 2018.
4	Value Added Tax (VAT)	VAT should be collected by central agency given three strong arguments:	This was implemented as IRC is the central agency collecting the VAT/GST.

		<ul style="list-style-type: none"> • There will be efficiency gains for the private sector by having to pay only one sales tax across the nation; • There will be a revenue increase for both the provincial authorities and the National Government due to more efficient tax collection; • Interprovincial taxation will be eliminated which will reduce business cost. 	
5	Rural Development Incentive	This provision was recommended to be abolished and an alternative incentive needs to be considered to promote investment in rural sector.	Rural Development Incentive is still in place. No action taken on the recommendation.
6	Double Deduction for Export Market Development Costs	It was recommended for this incentive to be broadened to include tourism sector.	This recommendation is implemented to include the tourism sector. PNG Customs Services commented that this concession may impinge on the WTO commitments, especially to do with subsidy scheme.

7	Duty Drawback	It is recommended for duty drawback system to be redesigned with clearly defined method of calculating the amount of drawback as well as a removal of the need for a gazettal notice.	Recommendation not implemented. PNG Customs Services supports the recommendation for re-designing the duty draw-back system and removal of the need for gazettal.
8	Credit Guarantee Scheme	It is proposed to substitute the present zero-equity rule with a minimum 10 per cent equity financing.	IRC is unaware of any changes and this means that recommendation is not yet implemented.
9	Wages Subsidy	It is recommended to introduce eligibility restrictions on capital intensity.	IRC is unaware of any changes and this means that recommendation is not yet implemented
10	Training Levy	It is recommended that Training Council or some other agency proficient in assessing these issues should be tasked with the monitoring and implementation of this incentive.	Recommendations not implemented.
11	Feasibility Studies Contribution Scheme	Recommended to reduce the amount of administration and conditions attached to the scheme.	IRC and PNG Customs is unaware of such scheme.