



## PAPUA NEW GUINEA TAXATION REVIEW (2013 – 2015)

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### RELEASE OF ISSUES PAPER ON TAXING CAPITAL GAINS

On Friday 12 December 2014, The Tax Review Committee released its fourth in a series of issues papers entitled *“Taxing Capital Gains?”* as part of the Fiscal Regime (Taxation and Non-Taxation) Review.

Unlike many other jurisdictions, including many developing countries, PNG does not have a broad system for taxing capital gains. The primary purpose of the paper, therefore, is to seek stakeholders’ views on whether PNG should consider introducing such a system, as part of a broader tax reform effort.

The paper outlines the reasons why many other jurisdictions have chosen to implement a system for taxing capital gains. These include:

- Taxing capital gains broadens the tax base and provides the Government additional revenue – this can provide a means to fund reductions in other taxes such as personal and corporate income taxes.
- Taxing capital gains can promote competitive and economic growth – this is because it removes the incentive for businesses to structure their affairs based on tax advantages rather than the best economic outcome.
- Taxing capital gains promotes the fairness of the tax system – wealthier people are generally in a position to earn more capital gains and therefore benefit more from its exemption from the tax system.
- Taxing capital gain reduces the need for complex taxation and accounting advice.

The paper also explores some of the design issues associated with a system for taxing capital gains. One of the key issues is the class of assets that would be covered by such a system. It is important that any such system is designed with the unique circumstances of PNG in mind – in the Committee’s view, if such a system were introduced, then an appropriate exemption for customary land would be essential.

As with other Issue Papers released by the Committee, this paper is intended to promote discussion only. The Committee will consider any submissions and develop draft recommendations which will be subject to a further round of consultation.

A copy of the paper, information on how to make submissions and further background on the Review can be found at the tax review website ([www.taxreview.gov.pg](http://www.taxreview.gov.pg)).

In recognition that this paper is being released just prior to Christmas, the paper will be open for an extended period of public consultation. The closing date for submissions is on Friday 13<sup>th</sup> February 2015/

To obtain hard copy of the paper or for any other enquiries, please contact the Secretariat via email [info@taxreview.gov.pg](mailto:info@taxreview.gov.pg) or by phone (3255977).

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