



PAPUA NEW GUINEA TAXATION REVIEW (2013 – 2015)

RELEASE OF TAX INCENTIVES ISSUE PAPER

On Friday 12 December 2014, The Tax Review Committee released the fifth of its issues papers entitled *“The Examination of the Advantages and Disadvantages of Tax incentives”* as part of the Fiscal Regime (Taxation and Non-Taxation) Review.

This paper provides an overview of the incentives used in PNG including a number of significant tax incentives that are or have been applied in PNG. It highlights that tax incentives have been and continue to be key features of PNG’s tax system.

The paper also explores both the advantages and disadvantages of tax incentives. It examines the reasons why a number of countries around the world use their tax system to achieve a policy outcome. However, whilst the paper acknowledges that tax incentives are often implemented in pursuit of good public policy goals, the paper highlights a number of disadvantages of tax incentives, drawing on extensive international experience and writing on the issue. International experience and PNG’s experience with some of its own tax incentive regimes also highlights that incentives are often ineffective in achieving their desired policy outcome or in contributing to economic growth more broadly.

Finally the paper also puts forward for discussion a number of broad reform directions for PNG to take on the issue of tax incentives. In particular, the paper notes the benefits of a tax system that is, overall, simpler, fairer and more competitive. The paper also sets out a framework for the award and management of tax incentives, covering the process of granting incentives, the policy basis upon which incentives are granted as well as the legislative basis for incentives. The paper suggests that such a framework would ideally be open and transparent, providing certainty for taxpayers and building confidence in the tax system.

As with other Issue Papers released by the Committee, this paper is intended to promote discussion. 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).

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 13th February 2015

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

Authorised by:

Sir Nagora Bogan, KBE.
Chairman, Tax Review Committee