



Papua New Guinea Taxation Review (2013 – 2015)

UPDATE No: 3 as at 18 DECEMBER 2014

This is the third update of the work of the Taxation Review Committee. The Update covers both *stakeholder engagement* and *research and policy development*, focusing on key developments since the last Update (31 July 2014). It also includes an outline of *next steps for the Review*.

The Committee would like to acknowledge the Government's ongoing support for the work of the Review, most recently reflected in the Treasurer's 2015 Budget speech in November.

STAKEHOLDER CONSULTATION

The Tax Review Committee and the Secretariat remain committed to undertaking the work of the Review in an open and consultative manner. The most recent update of the Review in July highlighted some of the significant consultation undertaken by the Review up until then – this included (i) the co-hosting of a Tax Policy Symposium with the National Research Institute (NRI), (ii) completion of the “blue-sky” consultation process and (iii) the holding of a number of open consultative forums in the Provinces.

Since then stakeholder consultation has been maintained. The Review team has continued to meet with interested stakeholders, and to date has undertaken over 80 individual consultations.

In addition, the Review has continued to engage with and seek feedback from the wider community through the regular publication of taxation articles in the Post Courier, Talkback Radio etc. The use of social media, in particular the Review's Facebook page, is a valuable source of feedback from Papua New Guineans interested in the future of their tax system.

The Tax Review Committee has also participated in relevant forums. For example a presentation for a tax agent liaison meeting (held by the IRC Offices) in September in Port Moresby.

RESEARCH AND POLICY DEVELOPMENT

The Tax Review Committee is committed to ensuring that its Terms of Reference are achieved in a timely manner with quality output.

At the time of the last update, the Review had commissioned a number of policy and administrative diagnostics and had released the first two of a series of Issues Papers that seek to promote discussion and obtain feedback on particular areas of taxation—these were papers on *Mining and Petroleum Taxation* (1) and *Corporate and International Tax* (2). Submissions to these Issues Papers have been published on the Review’s website (www.taxreview.gov.pg) and the Review team has been analysing the issues raised in both these submissions.

Since 31 July 2014, the Tax Review Committee has also released three more issues papers – these are *The Case for Tax Reform and Broad Directions* (3), *Taxing Capital Gains?* (4) and *The Advantages and Disadvantages of Tax Incentives* (5). Due date for Submissions for the latter two papers is **13 February 2015** and the Committee is encouraging all interested stakeholders to provide submissions to Issues Paper 3, even though the formal date for submissions has lapsed.

In addition, the Committee has received a draft report from PricewaterhouseCoopers on its Diagnostic Review of the PNG Customs Service. The Committee has also received an interim report from Deloitte who is undertaking a Diagnostic Review of the IRC. These reports will assist the Committee, in close consultation with PNGCS and the IRC as PNG’s revenue agencies, to identify opportunities for administrative reform; which is an area that the work of the Review has identified as a key priority.

As part of the Review, the Tax Review Committee also recognises the importance of the unique issues and challenges facing the Autonomous Bougainville Government. Following on from a preliminary visit to Buka by members of the Secretariat earlier this year, the Review has maintained regular contact with ABG’s Tax Advisor, Mr Mark Bell, who has been engaged to examine Bougainville’s tax arrangements under the Governance Implementation Fund.

The Review Committee also wishes to acknowledge the ongoing support of the Australian Government, the International Monetary Fund (IMF) and the International Finance Corporation (IFC) in the work of the Tax Review.

NEXT STEPS

In the 2015 Budget the Government agreed to extend the Review's reporting timeline to 31 July 2015.

The process for the Review remains the same with the present focus on releasing Issues Papers as a means of promoting targeted discussion on key areas of taxation. Progress has already been made on a number of key outstanding issues papers which the Committee aims to release for discussion in the first quarter of 2015. These include:

- Small Business Taxation
- Personal and Retirement Income taxation
- Excise
- GST
- Tax Administration

Work is also progressing on the other areas of the Review including Non-Tax Revenues, Tariffs, Other Indirect Taxes and Property Taxation. Having regard to its ambitious timeframe, Committee will consider in the New Year whether to release its discussion on these topics individually, as a combined paper, or as part of its final draft Report. The Committee remains committed to undertaking the Review on a consultative basis.

The feedback from the various issues papers will culminate in the release of a final draft Report towards the middle of 2015. This will provide stakeholders with an opportunity to see and provide comment on the Committee's proposed recommendations to the Government.

The Committee will continue to make use of every opportunity to engage in stakeholder and public consultation, including in the Provinces/Regions. In particular, the Committee intends to hold open forums in Mt Hagen and Goroka in the first quarter of 2015.

Finally, recognising the benefits of the workshops that it has held to date, the Committee and Secretariat is planning a series of issue-specific workshop to assist in the development of the work of the Review. Consideration is currently being given to holding or co-hosting workshops on the following topics:

- Small Business Taxation
- Tax and Transparency
- The linkages between the Taxation and Mining Act Reviews
- Taxation and Sustainable Development

Further details on these events will be provided in the New Year. Any person/s or groups party interested in any of the above topics, is encouraged to contact the Review team.

The Review will also remain engaged with the work currently being undertaken on taxation issues impacting Bougainville. Members of the Tax Review will be attending a Bougainville Tax Summit planned for the first half of next year.

Any enquiries on Tax Review should be directed to the Head of Secretariat, PNG Tax Review Secretariat via this email address: info@taxreview.gov.pg or by telephone (+675 3255977). Alternatively, please visit the Tax Review website (www.taxreview.gov.pg) for further information.

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