



# TAX REVIEW COMMITTEE

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### OFFICIAL HAND OVER OF VOLUME. 1 AND VOLUME.2 OF TAX REVIEW REPORT.

In a formal ceremony today at the new Treasury Building, the Chairman of the Papua New Guinea Tax Review (TRC), Sir. Nagora Bogan, KBE handed Volume.1 and Volume. 2 of the TRC reports to the Treasurer, Minister. Patrick Pruaitch, MP who received the reports on behalf of the National Government.

The report is the culmination of an intensive, robust, open and transparent consultation with a wide cross-section of stakeholders, workshops and technical summit, empirical analysis, diagnostic reviews, and comparative benchmarking with international best practices.

The Review was conducted over a period of 26 months from 1<sup>st</sup> September, 2013 to 24<sup>th</sup> October, 2015, but was delayed by 8 months due to bureaucratic ineptitude and red tape.

Sir. Bogan commended the O'Neil/Dion Government for its foresight in initiating this exercise and thanked the Government, on behalf of Lady Aivu Tauavasa, Sir. John Luke Critin and the Technical team headed by Ms. Kessy Sawang for the honour and privilege of leading and directing this prolific and profound comprehensive review of Papua New Guineas' tax system.

Indeed, it is a testament of a bold and unabashed Government that is visionary by taking an important policy formulation out of the clutch of civil servants and the exclusive corridors of Waigani and, through this open and transparent consultative reform process, enabled civil society and private sector to participate constructively in designing the shape, form and substance of the tax system for the current, medium and long term.

The last comprehensive taxation review was done in 2000, some 15 years ago, and this Review presents an opportune time for the Government to take stock of the country's

fiscal position and how and why it can position itself to mitigate PNG's socio-economic development challenges that lie ahead.

Of course, ensuring community well-being and managing the expectations of our people for basic service delivery, will be key when implementing the reforms.

To achieve blue print status, project management principles were systematically applied at every phase of the Review. The consultation process was wide and varied, involving stakeholders at both national and sub national levels. Over 100 written submissions were received, 60 of which directly responded to the 11 Issues Papers (Appendix B) on areas covered in the terms of reference – the Issues Papers were also emailed to over 200 stakeholders each and every time.

One-on-one exchanges were held with over 50 individual industry groups, peak industry bodies, companies and civil society organisations. Each public consultation in the 4 outreach programs in the provinces attracted over 100 persons.

A two-day Tax Symposium was held jointly with the National Research Institute. The Review sought international technical expertise to provide the international perspective. As well, the Review strategically ensured this process had an element of skills transfer for the six PNG national officers seconded to the Review as the Secretariat.

The Review has taken some trail blazing approach and more resourceful methodology.

Firstly, the Review embraced and leveraged social media. Its website ([www.taxreview.gov.pg](http://www.taxreview.gov.pg)) generated in excess of 600,000 hits and over 23,000 visits. The Review also created a Tax Reform Page on Facebook and through a Group page generated over 3,000 followers.

Secondly, the Review has taken into account the **“Political Economy of Taxation”**. In the design and architect of tax reform, it is important to see the tax system as a “system” rather than consider its different elements in isolation. The silo approach to tax reform ignores the fact that tax systems, though important, are part of the fabric of a nation.

Thirdly, the Comprehensive Tax Reform Program (CTRP) in view of the Review presents an opportunity for a catalytic transformation and, if managed well and implemented successfully, it will be an unprecedented stimulus for **“All Government Transformation”** resulting in **“Real Economic Growth and Diversification”** because of its strategic significance and once in a generational change effect.

Fourthly, this **“All Government Transformation”** has enabled the Review to also recommend formulation and pronouncement of important overarching policy framework comprising ***economic, fiscal, tax and trade and investment*** policies.

Fifthly, the Review in recognizing the risks of overdependence on the extractive sector and its vulnerability to the cyclical vagaries of commodities pricing also recommended a “**paradigm shift**” in the governance, management and stimulation of sustainable economic growth by recommending establishment of a centralized “**Economic Development Board**” with private, public and civil society representation.

This will provide some realistic and practical institutional mechanism to mitigate the risk and vulnerability by diversifying the economic base to more sustainable sectors like *agriculture, forestry, fisheries and tourism*.

Finally, for the first time the Review has paid special attention and given priority to Revenue Administration reform. **Revenue administration is the critical lynchpin of the reform.**

This requires a more holistic and innovative reform comprising clearly pronounced overarching policy framework, robust and modern governance framework which includes establishing a “**Revenue Administration Board**”, and complete transformation and modernization of all revenue administration functions and operations. It also involves serious undertaking, involving considerable cost and resources and multi-year reform program.

The Review sincerely thanks everyone who participated or contributed to the Review process.

We wish to record our appreciation for the help and support provided by the Review Secretariat led by Ms Kessy Sawang and the following Departments and Agencies; Treasury, PNG Customs Services, the Internal Revenue Commission, Finance and Trade Commerce & Industry.

We are also grateful for the technical support and funding provided by the Australian Government through its Treasury Department and Strongim Gavman Programme and the Australian High Commission, Port Moresby under the Economic Public Sector Programme, Craig Emmerson Economics Pty Ltd and the IMF.

Authorized by the Chairman of the PNG Tax Review Committee.

28<sup>th</sup> October, 2015