



TAX REVIEW COMMITTEE

OFFICE OF THE CHAIRMAN

Heduru Building, Waigani Drive
P O Box 1598, Boroko 131,
NCD, Papua New Guinea

Telephone: (675) 325 3775
(675) 325 5977
Facsimile: (675) 325 5973
Website: www.taxreview.gov.pg

MEDIA RELEASE NO. 4 OF 2015

PNG NEEDS NEW SUITE OF OVERARCHING POLICY FRAMEWORK TO GROW AND DIVERSIFY ITS ECONOMY.

The Chairman of the PNG Tax Review Committee, Sir. Nagora Bogan, KBE stated that despite considerable and more diversified resource endowment, over ten (10) years of positive GDP growth, and forty (40) years existence as a nation state, all inclusive and sustainable economic development has been an *elusive objective*.

As a nation, we have not made any traction, let alone diversified the economic base to sustainable sectors. We have a highly fragmented, divisive, disparaged and inhibitive economic structure made more complicated, ineffective and imperceptive because of inherent legacies and outdated policies, governance and institutional frameworks.

This is further compounded by the pronounced risks of a dual economy that is over dependent on the non-renewal resource sector, and at various intervals, highly exposed and vulnerable to externalities, especially the cyclical vagaries of prices of commodities, and rapid socio-economic, technological, and environmental changes and shifts in demography.

The fiscal distress experienced in 2015, brought about by the unprecedented and unexpected drastic drop in oil prices is clear testament of our vulnerability to externalities.

Additionally, financial changes combined with technology have constantly changed market dynamics and made capital mobile.

This is indeed a poignant reminder, warning sign, but yet an important cross road of opportunity for reconstruction of national economic and social development.

It requires a paradigm shift in National Development policies, governance, institutional and administrative structures and culture. More importantly, a comprehensive tax reform without an overarching sustainable economic policy framework will skew

and, in some instances, completely derail the noble policy rationale and objectives of the reform. It is tantamount to putting the cart before the horse.

The Review, after considerable consultation and evaluation of experience of numerous countries (both developed and developing countries) recommends; **IMPLANTING PILLARS or CORNERSTONE FOR DIVERSIFYING AND GROWING THE ECONOMY** and ensuring that it is sustained.

This involves a paradigm shift in the governance, policy, and institutional culture and administration of economic diversification and growth. This calls for a centralized coordination, vetting, management and oversight of foreign direct investments and domestic reinvestment.

This policy framework should have an overarching Economic Policy supplemented by Fiscal Policy, Tax Policy, Trade and Investment Policy and Monetary Policy.

The Review recommends the following templates for Economic Policy, Fiscal Policy and Tax Policy.

Below are some suggested policy template for the National Government includes;

- **ALL INCLUSIVE AND SUSTAINABLE ECONOMIC POLICY.** *Economic Growth And Expansion to Derisks Over Dependence on Unsustainable Extractive Sector by Diversifying the Economic Base to Sustainable Sectors of The Economy.*
- **FISCAL POLICY.** A deliberate fiscal policy to support and supplement;
 1. *ECONOMIC GROWTH* - Stimulate, Support and Promote Sustainable Economic Growth.
 2. *TAX REGIME INTEGRITY* - Focus on Integrity and Ensure the Tax System is Robust and Refreshed Regularly to Ensure Consistency,
 3. *OPTIMUM AND SUSTAINABLE REVENUE GENERATION* and a stated policy position on,
 4. *BALANCED BUDGET* - Maintain a Balanced Budget and Adhere to Fiscal Responsibility Laws. Prudent Government.
 5. *EXPENDITURE* - Focus Government Expenditure on Delivering Essential Goods and Services.
- **TAX POLICY – A tax system and administration that is structured and designed to;**
 1. Promote Sustainable Economic Growth And Promote Social Objectives.
 2. Build A Broad Revenue Base.
 3. Ensure A Balanced Mix Between Taxing Of Income, Consumption And Capital, and
 4. Maintain A Competitive Tax Structure To Attract Investment And Capital.

It is also further recommended that the Trade and Investment policy should be developed as and when the trade and tariff review is completed in 2016. That will supplement the economic, fiscal and tax policies.

All these policies will combine to provide a clear, sound and more holistic policy framework to ensure that economic growth and diversification assumes ascendancy and takes equal place with sustainable revenue generation. Both are closely correlated and inextricably intertwined and will combined to give PNG a real chance and opportunity to grow and diversify the economy.

Authorized by the Chairman of the PNG Tax Review Committee.

28th October, 2015