



## IRC PRESS RELEASE

### **REVENUE COLLECTION AND PERFORMANCE IN 2018**

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The Internal Revenue Commission (IRC) would like to announce that it has exceeded the tax collections target for the fiscal year 2018. The IRC successfully collected and transferred K8.0 billion to the Waigani Public Account (WPA) in 2018. The total figure is 8.4% higher than government projections at the time of budget 2018 and 5.2% higher than government's revised projections in the Mid-Year Economic Fiscal Outlook (MYEFO).

In 2018, the domestic resident companies chose to consolidate profits thereby booking 8% higher corporate income tax compared to 2017. Similarly, a rebound in global oil prices resulted in K774 million in mining and petroleum taxes compared to K113 million last year. Employment and wages in the formal sector also recorded a modest improvement by registering a 3% growth in salary and wage withholding tax but partnerships and personal income tax fell by 34%. Foreign contractor withholding tax also fell by 18% indicating reduced use of foreign services.

Strong growth rates were registered in other forms of incomes– dividend withholding tax increased by 12%, interest withholding tax by 25% while royalty withholding tax increased by 20%. Stamp duty collections in 2018 increased by 125% over 2017 registering higher transactions in assets. Due to APEC related international travel, departure tax collections doubled over 2017. Finally, tax collections were also higher for bookmakers and gaming companies indicating higher disposable incomes amongst the public in 2018. Negative growth was recorded in management fee withholding tax, training levy and other sundry IRC receipts.

In consumption taxes - inland goods and services tax or VAT collected by the IRC in the provinces also registered a 3.2% increase over last year. The IRC successfully disbursed 100% of its GST obligation to provinces on time as well as K288 million in tax payer refunds that were 3.5% higher than in 2017. Together with import GST collections from Customs, IRC was able to transfer K1.5 billion in net GST revenue to the WPA that was 10% higher than last year.

On the back of government funding and support, the IRC undertook the first year of reforms under the Medium Term Revenue Strategy by increasing its service capacity and public engagement. This resulted in doubling of filing rates, improvements in on-time filing, and almost 80% shift to online payment methods of bill pay, EFT-POS and electronic payments.

In 2018, the IRC undertook country wide public awareness and engagement with senior management to improve dissemination of information about taxation. This has been the driving force behind the improved revenue and compliance. We also inaugurated our world class Large Tax Payer Office and opened a new tax center in Mt. Hagen to service taxpayers in the Highland Region.

A number of compliance and enforcement initiatives by the IRC were successful in recovering back-taxes and improving the revenue performance. Approximately K300 million in taxpayer debt due in previous years was recovered in 2018. Last year the IRC's audit program, supported by our development partners, released clarification on treatment of salary packaging for superannuation as well as advisory against arrangements to evade personal income taxes. IRC also conducted forced registrations and assessments on businesses in the hidden economy that resulted in improvements in revenue for the government.

This year, the IRC will be administering two major changes to tax legislations as part of the 2019 budget. The first is the widening of the tax-free threshold and first-tier threshold for marginal income tax for individuals. Contrary to media reports, the legislative change reduces income tax burden on every individual in Papua New Guinea. Secondly, starting from 1 January 2019, supplies to resource companies will no longer be zero-rated and are subject to the full 10% goods and services tax rate, except for supplies made to companies that have signed a fiscal stability clause with the government. The public is advised to visit the IRC website or visit us in person to find out more about the legislative changes made to tax administration in PNG in the 2019 budget.

In 2018, the IRC also bid farewell to Ms. Betty Palaso, OBE, who retired after her dedicated 10-year service as the Commissioner General. She will be taking up the position as PNG's Ambassador to the Philippines and Palau.

The IRC would like to thank the honorable Prime Minister, Deputy Prime Minister and Treasurer and other members of the National Executive Council for their support to IRC in 2018. We would also like to thank our tireless staff members who showed exemplary moral-fiber in difficult economic times to improve revenue performance. Finally, we would like to thank the taxpayers of Papua New Guinea and we hope to continue to improve our services to them in the future.

**AUTHORISED BY**

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**11/01/2019**