



PRESS RELEASE

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Taxation of Superannuation in Papua New Guinea

The Acting Commissioner General, of Internal Revenue Commission, Alois Daton in a statement today clarified the difference in taxation contributed between employers and employees to Authorised Superannuation Funds (ASFs) in Papua New Guinea.

Taxation of Authorised Superannuation Funds and Superannuation contributions deducted from the salary & wages of employees and remitted to an Authorised Super Fund (ASF) are classified into three categories for tax purposes as follows:

1. Employee contributions.
2. Employer contributions.
3. Interest accumulated on funds and distributed to members.

Taxation of Employee contributions:

Employee contributions arise from the net (or after tax) salary of the employee. As they have already been taxed, they are not supposed to be taxed when the employee contributions are distributed (paid out) to a member by the ASF. This is the same treatment for 'voluntary additional contributions savings'.

Employee contributions to ASFs are one way in which Government encourages a savings culture amongst employees through the utilization of a retirement savings plan.

Taxation of Employer contributions and Interest:

Employer contributions are not taxed at the time they are transferred to an Authorised Superannuation Fund. This is because they are not regarded by the tax law as an income of the employee but as capital arising from the property of the employer.

Taxation of ASF

The Authorised Superannuation Fund is taxed **only** on its profits arising from investments realised from its members' contributions. Authorised Superannuation Funds are not taxed at the Corporate Tax Rate of 30% but are taxed at a lower rate of 25%.

Interest accumulated on Funds and distributed to members?

The interest accumulated on an ASF members account (the profit from the investment of the funds) is taxed at 25% to the ASF.

When the Authorised Superannuation Fund makes a distribution to a member, the employer contribution and interest component of the distribution is taxed according to a concessional tax rate based on the number of years that the member has contributed (usually based on length of time the employee was in employment for) as follows:

Less than 5 years employment service = Marginal Tax Rate.

More than 5 years but less than 9 years contributory service = 15%

More than 9 years but less than 15 years contributory service = 8%

More than 15 years contributory service = 2%

Any fund operating as a superannuation fund, but is not registered with the Bank of Papua New Guinea as an Authorised Superannuation Fund in PNG will not be accorded the concessional tax treatment under the tax laws of the country.

The following are existing ASFs in PNG;

- Nambawan Super
- Nasfund
- Aon
- Defence Force Retirement Benefits Fund (Comrade Trustee Services Limited).

The taxation treatment is therefore not too indifferent with other countries such as Australia and New Zealand. These countries also operate a social welfare system as part of their superannuation regime which covers the unemployed sector. Our system is not as advanced and it relies heavily on the Government's capacity to pay and the people's capacity to pay taxes honestly and fairly so the State can look after the welfare of its citizens.

It is therefore important for all businesses whether large or small to pay taxes honestly so we all can benefit.

The table below summarises the taxation of superannuation industry in PNG.

	When Contributions are made to Super Fund	When Contributions are used by Super Funds	When the savings and interests are paid to the members
Employee Contribution	Tax is applied on the salary or wages of employees before their contributions are made to the super fund. It is not taxed again at any time from thereon.	No tax is applied on the use of employee contributions when it is in the hands of the super fund	No tax is applied when this component is paid out to members because it was taxed already.
Employer Contribution	No tax is applied on this contribution by an employer. The tax has been deferred to the time of payout to members.	No tax is applied on the use of employee contributions when it is in the hands of the super fund	Tax is applied when this component is paid out to members on concessional rates depending on the period of contribution to the super fund.
Earnings by Super funds		Super funds invest member contributions. Profits from those investments are subject to tax. The taxable income (after deductions are allowed) from these investments are taxed at 25%. Tax is applied in the current year when the taxes are due. There is no deferral.	
Interest Credited to Member Accounts		The super fund also pays interest to members. Tax is not applied in the year interest is credited to member accounts. The tax is deferred to the time of payout.	This interest which is credited to member accounts by the super fund is taxed at concessional rates depending on the period of contribution to the fund. The tax is applied at the time of pay out to members.

Authorised by

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Acting Commissioner General