



Media Release

SALARY AND WAGES TAXES DO NOT BELONG TO EMPLOYERS: IRC

Many employees of government organizations, State owned enterprises, private corporations, etc., have been complaining that they were paying more taxes under our progressive Personal Income Tax regime. Whilst the change in tax policies concerning the tax rates are yet to be considered by the Government, we have witnessed a growing pattern where employers withhold salary and wages taxes from the employees and instead of transferring those funds to IRC, divert the taxes to meet their other operational expenses. For some of you who have been complaining about paying taxes, your taxes may not have reached IRC but the pockets of your employers.

The employees trust their employers that the tax components of their salaries and wages are withheld for the sole purpose of them being transferred to IRC. IRC trusts the employers to collect the taxes on behalf of IRC and pay it directly to IRC. Unfortunately, a lot of public and private taxpayer employers have breached this trust.

This is not only a breach of trust issue, but a criminal conduct. The employees have a legal and equitable interest to see their taxes remitted to IRC without any alterations by a toea by their employers, whereas IRC also has similar proprietary interests to receive those taxes by operation of the tax laws. Employers who divert those taxes to fund their other operations deprive both the taxpaying employees and IRC hence will not be excused. This is not a measure to reduce their tax obligations within the confines of the law, but an outright theft.

In the past, the taxpayers have been allowed to use GST credits to offset their salaries and wages taxes pursuant to section 91(5) of the *Goods and Service Tax Act 2003*. Well that provision grants the Commissioner General, discretion to allow such to happen, but this has been abused hence it is my considered position that from this day on, I will not allow any Salaries and Wages Taxes to be offset with GST credits. It has produced impunity for theft instead of genuine compliance. Those who steal salary and wages taxes off their employees' taxes to fund their operations will not seek cover under such provisions.

GST credits can be used to offset future GST obligations or will be refunded (which will take 8 years) but not SWT. I have issued circular instructions to all my staff for this direction to be implemented effectively as of this date.





INTERNAL REVENUE COMMISSION



Not only is it an offence under the tax laws where pecuniary penalties will be strictly applied; but it will be considered and pursued as a criminal matter for those employers, including their directors, CEOs and managers, who fail to pay the IRC any single toea they collect and withhold on account of the employees.

We have already picked up a number of cases under this category and I will be establishing a team to start pursuing these cases, so I am sounding this alarm now.

For employees who would like to report anonymously whether your employer is paying the taxes deducted from your salary, please email the details to: taxcomplaints@irc.gov.pg

Authorized for Release

Sam Koim, LLB (Hons)

Acting Commissioner General

Internal Revenue Commission of PNG

Ends///