



# GST TO BE COLLECTED DIRECTLY FROM IFMS

## "NO TIN, NO CHEQUE"



The collection of Goods and Services Tax (GST) by the Internal Revenue Commission (IRC) has been administratively burdensome thereby allowing a big non-compliance gap to exist. Except for a few, a significant number of government contractors make up this gap.

IRC is taking a number of measured steps in closing that gap, starting with those who receive business from the government.

At a small but significant event held today at the APEC Haus, the Minister for Finance, Hon Sir John Pundari, launched what is dubbed as "GST Section 65A Notice" to be configured in the Integrated Financial Management System (IFMS) to facilitate the direct transfer of GST components directly to IRC on account of suppliers.

This is a monumental step forward in tax administration where available financial technology (IFMS) is being used as an intermediary to usher effective collection.

Our tax administration system which we've adopted from abroad presumes that the taxpayer is always honest in assessing and declaring his/her tax liability and pay on time. Whilst this may work well in generally honest societies, it is challenging for a society such as ours. Our unique compliance challenges add to the burden IRC has in administering and collecting taxes. This also results in a significant tax gap we currently have – a gap between what we are collecting and what we supposed to collect.

Since I took office in 2019, we have been exploring options of reducing the cost of tax administration, by adopting effective collection measures, pluck leakages and improve compliance. We have started some reform projects in 2020 and continued to include them in the 2021 work plan.

We share the cry of our working class concerning the high rates of taxes imposed on their salary and wages. However, we have to offer the Government an alternative to offset the foregone revenue and that is why we aim to make GST the number one revenue earner for the Government. GST is broad-based and its tax base is the entire country. We believe that if we close the GST gap, we will collect enough revenue for the government to explore reducing the SWT.

We have initiated several projects to achieve this strategic intent. One of the activities that would help us achieve this is the section 65A project. The GST section 65A project was initiated in August of last year and will be expanding the program this year.

GST section 65A is a compliance provision with the GST legislation. This provision authorises the Commissioner-General to issue a notice to a recipient of a good or service. The GST registered suppliers of those goods or services have not been compliant with their GST obligations. The notice/letter issued by the Commissioner General authorises the recipient of the service or good to withhold the 10% GST from the supplier and remit it directly to the IRC. The supplier will then lodge its GST return each month to claim the GST withheld.

We have private companies that benefit from the taxes by receiving businesses from the Government and charge the respective government entities GST but fail to declare or even remit the GST to IRC when due. By this arrangement, IRC will be collecting the GST component directly from the Government entity.

We have trialled the GST section 65A project with 15 agencies and have raised well over K20 million in the last 6 months. This was done manually.

Today's launching brings this arrangement to a new height and introduces a lot of efficiency and cohesiveness. It sets the tone for the path we want to embark on – to move away from laborious methods of collection by investing in technology.

We will have 36 national government departments that currently use IFMS to participate as part of phase 1 next month, followed by statutory authorities in the second phase and sub national entities in phase 3.

Those who are engaged by the Government entities must also be aware that under this arrangement, all suppliers without a TIN number will have their payments on hold until being formally registered with the IRC.

The IFMS configurations will be switched on May 1, 2021 and we will be using the balance of this month to undertake awareness and issue appropriate notices.

Whilst we set out to effectively collect GST directly, we are also conscious that it is not the 'net GST' hence we will increase resources and methods of verifying GST returns to ensure that our processing area is not clogged, and those who deserve refunds are paid on time.

At this juncture, I would like to sincerely thank Minister for Finance for his receptiveness to this exploring new ways of revenue collection, the Secretary for Finance and his department for having the Seeing Eye to see and the collaborative hand to deliver this project. Where our mutual interests lie, we remove the territorial thinking and collaborate without the need for use of compulsive powers and that is what happened today. I also owe a debt of gratitude to technical teams from IRC and DoF who have worked hard to get the details correct.

Yours in Making a Difference,

**Sam Koim, OBE**  
Commissioner General  
Internal Revenue Commission



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