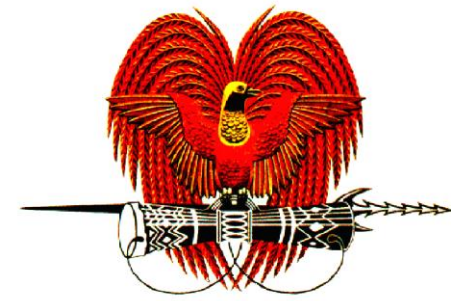


PNG's Medium Term Revenue Strategy

The roadmap for reforming PNG's taxation system and mobilising domestic revenue

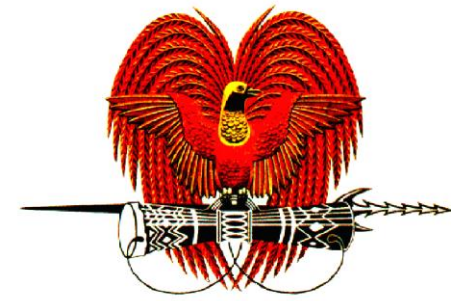


Overview of Presentation



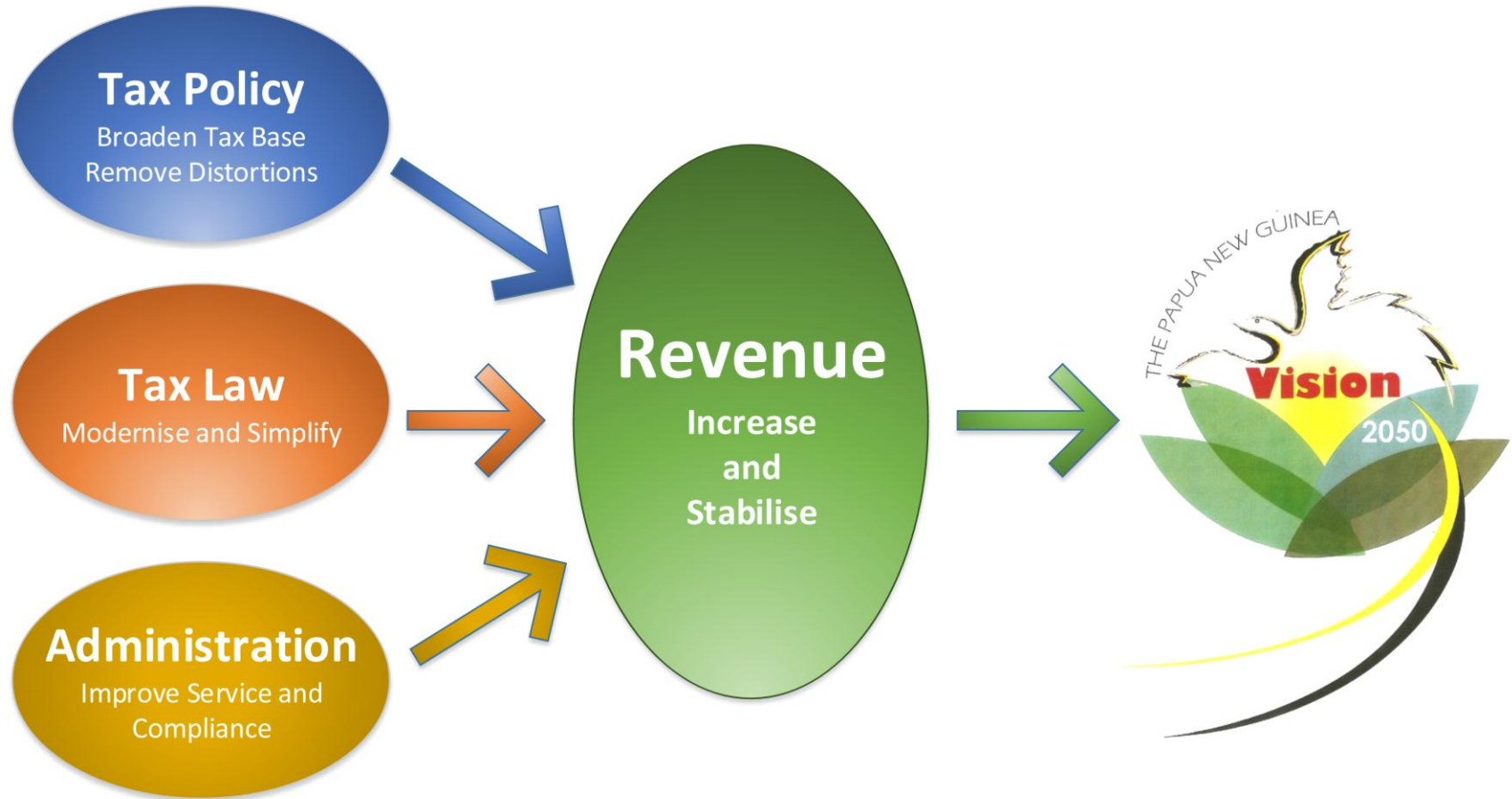
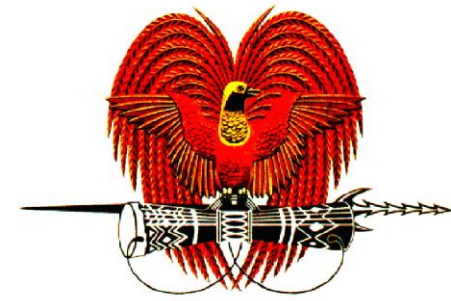
- Background
- Reasons for Reform
- MTRS
- Implementation
- Progress so far

Background

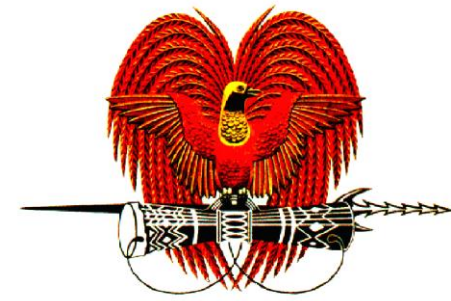


- Gov't's development aspirations to improve living standards and encourage economic growth and prosperity:
 - Vision 2050.
 - PNG Development Strategic Plan 2010 -2030.
 - Medium Term Development Strategy 2018-2022
 - Medium Term Fiscal Policy 2018 -2022
 - STaRS
- Total revenue declined sharply from 20% in 2014 to 13% in 2016 due to fall in global commodity prices and severe droughts.
- Increased GDP of 20% as a result of construction phase of PNG's first LNG project.
 - A consequence of the LNG Construction phase in 2013-14 saw a rapid spike in growth of telecommunications, service industries, property market, the SME sector and the middle class.
- PNG Economy largely dependant on export commodities and has a narrow tax base. However, the flow on consequences from the LNG construction still continues to grow at a steady pace.
- Gov't sanctioned independent reform study - Tax Review Committee Recommendations 2014-2015.
- 2017 - Re-appointed Gov't- Alotau Accord II, 100 Day 25 Point Improvement Plan

Reasons for Reforms

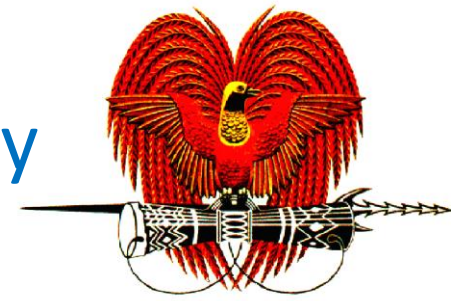


International Assistance



- PNG sought international assistance:
 - Improve capacity to mobilise domestic revenue
 - Broaden the tax base
 - Improve revenue(Tax & Customs) administrations
- International assistance towards development of MTRS (2017):
 - IMF led mission
 - PFTAC
 - Short term TAs
 - Organisational scan
 - Corporate Plan
 - IT scoping

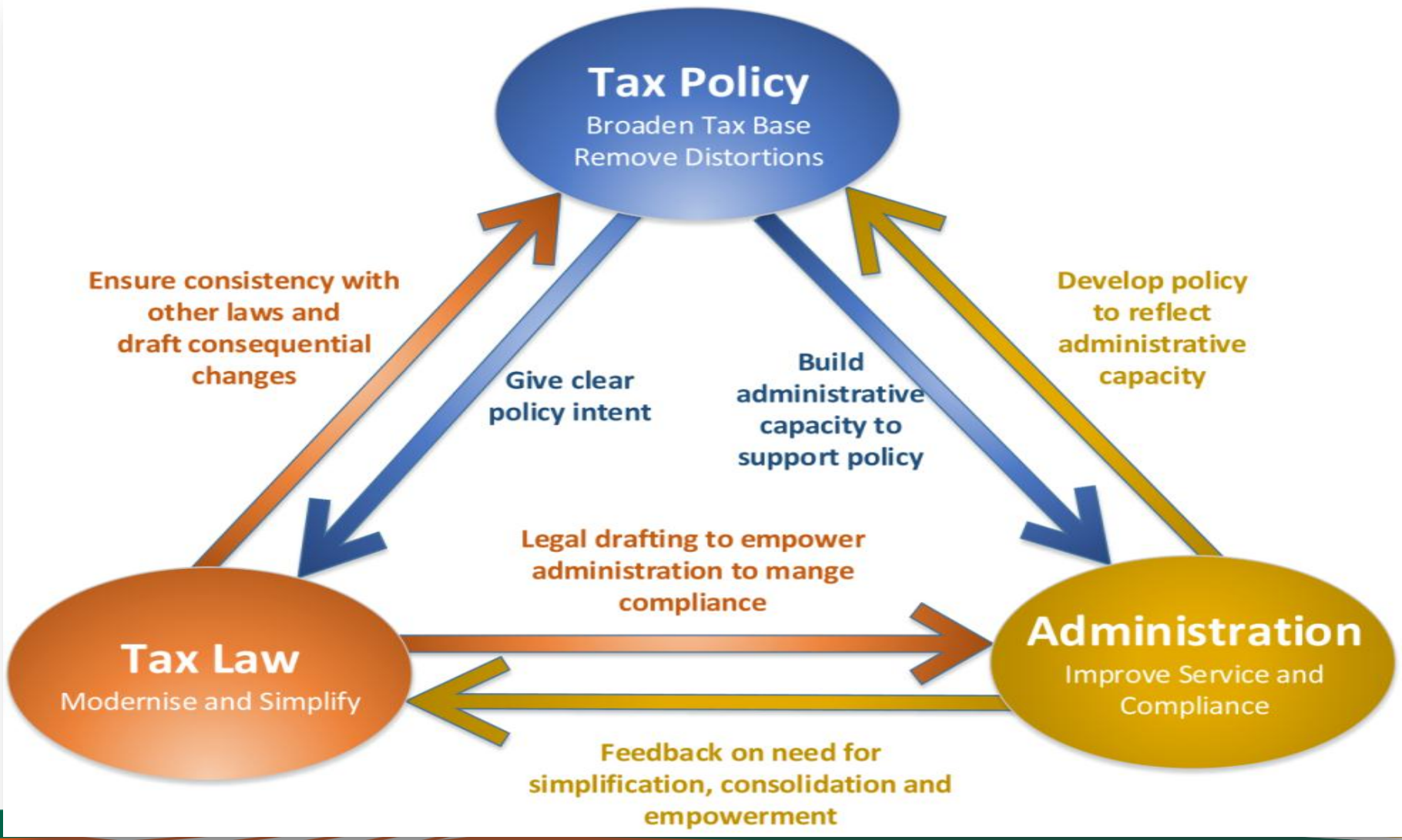
Medium Term Revenue Strategy



- MTRS sets the strategic direction for triggering economic growth over the medium term and aims to improve revenue administrations by:
 - reducing complications in e2e process in tax administration,
 - Increasing capacity to make risk based decisions,
 - Flag Revenue Policy areas for reform;
 - Undertake legislative reform to reflect the above.



The MTRS treats the policy, administrative and legal components of the tax system in a holistic and interactive way.



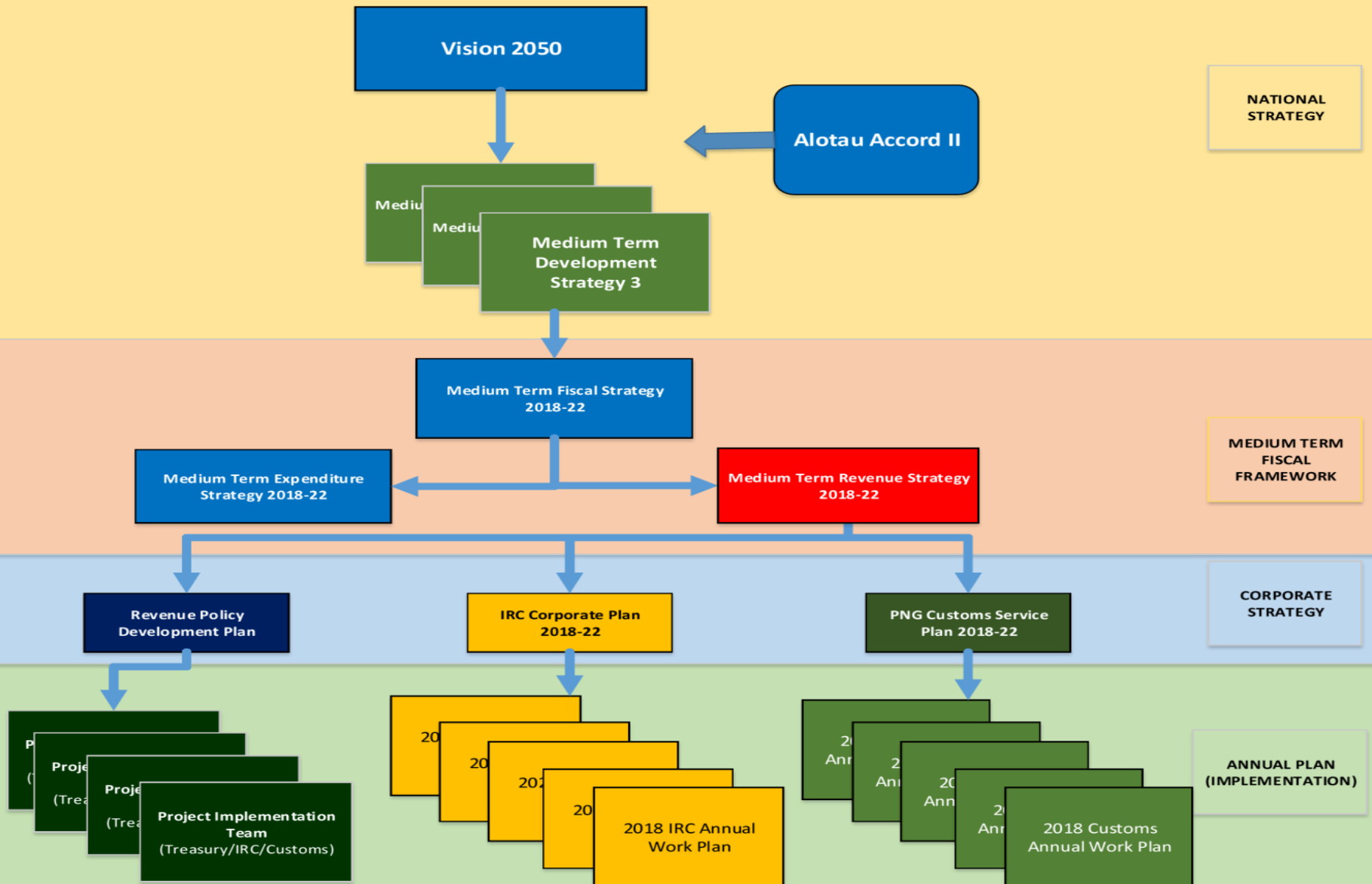


MTRS Key reform areas

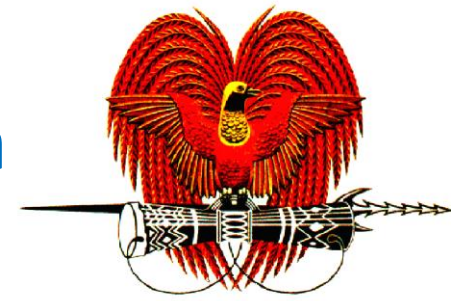


Policy Reform	Tax Administration	Legislative reform	
Personal Income tax rebalancing	<p>Strengthen service delivery functions</p> <ul style="list-style-type: none"> -Tax payer registration -Taxpayer services -Tax processing review -Revenue Intel & risk mgt -Increase and strengthen compliance & enforcement -Review and update debt reduction and collection -Improve dispute resolution 	<p>Review, update Income Tax legislation and other related laws</p>	
GST tax base broadening and review of zero-rating			<p>Introduce and implement Tax Administration Act</p>
Review and simplify administration of Corp Income Tax			
Review fiscal stabilisation in resource contracts law	<p>Strengthen business functions and management systems</p> <ul style="list-style-type: none"> - ITAS - IFMS - HR 	<p>Introduce Tax Procedures Code/ Regulations /By laws</p>	
Review excise taxation			Simplify tax regime for small businesses
Review non-tax revenue (fees & charges)			<p>Align Org structure with strategies & functions</p> <ul style="list-style-type: none"> -LTO -Regional and Provincial Centres -Taxpayer Services
Review potential for other taxes such as developed property taxes, tariffs etc,			

Overall Governance Framework



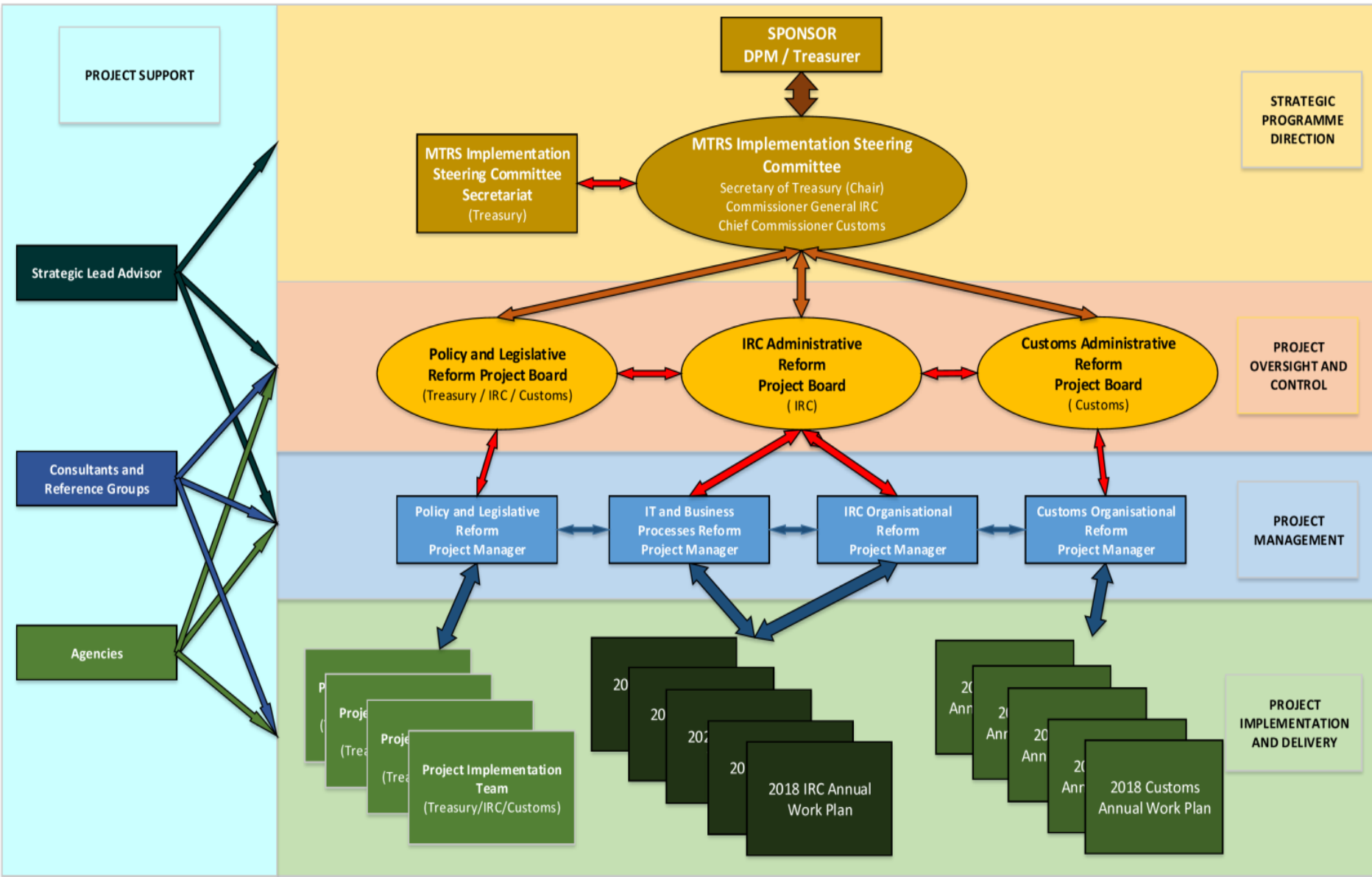
Overarching Strategic Direction



- **MTRS 2018-22**
 - endorsed 2018 budget session of the National Parliament.
- **Governance & Management structure**
 - approved and aligned to annual operating work plans of tax (and customs) agencies.
- **Top Implementation Steering Committee**
 - Project sponsor Dep PM/ Treasurer
 - Chaired by Sec Treasurer with agency heads from Tax, Customs administrations.



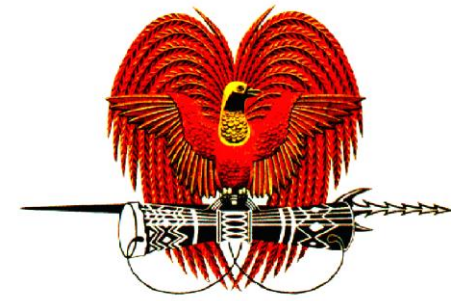
Implementation framework





Internal Revenue Commission

Strategic Level Progress

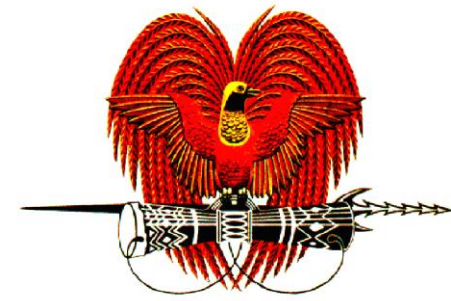


- Announcement of MTRS by Treasurer in 2018 budget on 28 November 2017.
- Passage of Tax Administration Bill -Nov 2017
 - Core Tax process review, redesign, awareness & implementation of TAA – 2018-2020
- IRC Corporate Plan 2018-22 aligned to MTRS. Launched March 14 2018.
- Funding
 - PNG IRC's operation budget has been supported with Govt funding K23million(US\$7.8mil) and K17.3million (US\$5.9mil) for Customs.(2018 approved Budget)
- Finalised the PNG IRC's 2018-2022 Corporate Plan – March 2018
- Finalisation of TOR for Governance and Management Steering Committee by Treasury- 2018 (by Q2).
- Continuous engagement with development partners to deliver the MTRS- ongoing •



Internal Revenue Commission

IRC Corporate Plan 2018-22



Vision:

“We excel as a modern and robust tax administration”

Mission:

“We contribute to PNG’s economic prosperity by optimising revenue collection through well governed and transparent processes in partnership with our stakeholders”

Objective:

Improve tax revenue to 14.0 per cent of GDP by 2022, through improving compliance and broadening the tax base.

Strategic Themes

- 1. IRC is focused on the taxpayer .***
- 2. IRC will manage compliance risk to achieve high levels of compliance and revenue collections.***
- 3. IRC is a competent and highly performing organisation.***

Transformational Priorities:

- Strengthen planning, management and governance.***
- Strengthen core business delivery.***
- Develop and align infrastructure to better support IRC’s risk management strategy.***
- Implement Government’s policy initiatives.***

Operational Priorities:

- IRC will achieve expected revenue outcomes***
- IRC is adequately resourced and effectively manages and governs those resources***
- IRC’s management and staff have the needed knowledge, skills, attitude and integrity***
- Maintain effective business partnerships***



Internal Revenue Commission

IRC Governance Committee Jan 2018 approval

Identified **Key Priorities for Implementing MTRS**

(For all IRC and PMO):



- Establish Large Taxpayer Office
- Develop Audit capacity and capability
- Reduce aged debt and improve debt recovery
- Improve tax processing capacity
- Establish MOUs with Provinces
- Implement the Tax Administration Act
- Project management capacity and capability
- Seeking and coordinating donor support
- Coordinating and directing support services:
 - Recruitment
 - Office accommodation / Facilities
 - IT
 - Training
 - Managing project finances
- Performance Management of staff (cascading down from Commissioner General to Commissioners to Assistant Commissioners etc)

- **Develop and implement Strategies**
 - Human Resources (HR) Strategy (and HR Workforce Plan)
 - HR Training Strategy
 - Information Technology (IT) Strategic Plan
 - PNG Risk Model and Compliance Strategy
 - Communications Strategy
 - Debt and Return Collection Strategy

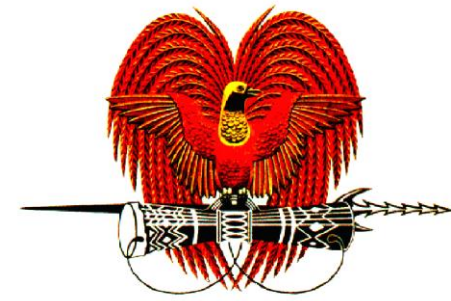
Implementation structure of the MTRS in IRC





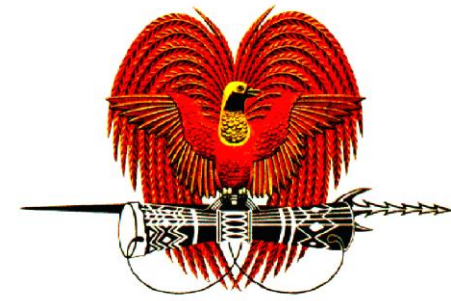
Internal Revenue Commission

2018 Working Groups so far...



- Recruitment/HR
 - Filling key vacancies
- Facilities
 - Client service centres
- Training
 - Supervision and management training
- IT
 - Development of IT Specs
- LTO
 - Staff, and operate 'premium/kumul' service for LTOs
- Digitised records
 - Digitised all Large taxpayer manual files & records
- Tax Administration Act
 - 1st phase consequential amendments for 2019 Budget
- Tax Payments
 - Streamline and simplify tax payment options for taxpayers.

IRC current staffing



- 705 staff on strength
- Progressively grow to 1000 over medium term
- 11 Divisions/Business Units
- Organisational structure will be changing over medium term to reflect-
 - Design & Monitoring Unit
 - Taxpayer services
 - Large Taxpayer
- Became semi-autonomous in Sept 2014.



Internal Revenue Commission

Donor Support...



- Expected to commence from Q2..
- Considering areas where donor support will be required over the MTRS.