Revenue and tax: Perspectives of Bougainville’s business community

Buin Business Group

Buka Business Association

Central Business Association
Who we are

• We are representing a coalition of Bougainville’s three business groups
• Buin Business Association
• Buka Business Association
• Central Bougainville Business Association

• We represent the voice of Bougainville’s business community

• We are moving towards establishing a regional business association
Fiscal self reliance

Business supports achieving fiscal self reliance

Sustainable fiscal self reliance cannot be achieved at the cost of economic development

There is little transparency in progress on fiscal self reliance

Government activity does not yet adequately support private sector activity

We do not favour government owned business as a path to fiscal self reliance

Our contributions build fiscal self reliance

A stronger private sector will deliver more revenue

We do not favour government owned business as a path to fiscal self reliance
Expenditure

Improve effectiveness of expenditure and enhance transparency

ABG needs to direct its revenue to strengthen private sector activity to increase taxes

Wastage in expenditure needs to be cut down

Money is often diverted across the budget

Without improved expenditure fiscal self reliance will not be achieved

Without improved expenditure and transparency increasing compliance will remain hard
We are supportive of a small business tax...
As was the PNG Tax Review......

### Microenterprise, Small Business and Informal Economy

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<th>Current Situation</th>
<th>Vision for the Future</th>
<th>What Needs to Change</th>
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| • It costs small businesses proportionally more to comply with tax obligation when compared to large or big businesses.  
• Many small businesses either do not file tax returns OR they understate their tax.  
• IRC administers this sector across a number of functions and there is no substantive strategy in place to cater for PNG’s informal economy which is significant. | • Affordable or reduced costs for small businesses to comply with tax laws.  
• More small businesses will be in the tax system. More people will be paying the right amount of tax.  
• A fairer tax system for all (across the board from small to large business).  
• Small business sector contributes more to government revenue.  
• IRC using a more strategic approach for its tax administration targeting small business and proper and regular awareness and enforcement to achieve this. | • Simplify the ways that tax is calculated so small businesses can understand.  
• IRC methods of form-filing and payment systems.  
• One-off research of PNG’s small business and informal sector needs.  
• Perceptions that because this sector is small that it is not important to the economy of PNG. |

Source: PNG Taxation Review, Report to the Treasurer 2015
Small business tax – tax reform

Currently, all businesses no matter how large or small, are expected to keep full accounting records to determine profit and pay tax on that profit.

Not all small businesses are able to keep full accounting records.

Reduce the need for paperwork.

Tax can be based on turnover – either as a percentage of turnover or fixed amounts of tax based on levels of turnover.
Business that are operating here should register their businesses with IRC as Bougainvillean businesses.

- To promote fiscal self reliance
- To provide a fairer picture of achieving fiscal self reliance
- To enhance Government revenue
- To all for increases in Government services in Bougainville
Double taxation

- Existing example of double taxation – GST and sales tax on beer and cigarettes
- Not a level playing field
- What happens to the ABG revenue raised?
- Our consumers pay this tax twice but consumers in other Provinces do not

- There is talk of an additional ABG levy on commodity exports
- Will the revenue be invested back into agriculture?
- We currently pay a levy and do not get a satisfactory level of service from commodity boards
- We currently pay an additional levy to CCRI despite this body no longer existing
Level playing field

- Businesses with government links shouldn’t receive preferential treatment from Government
- Fair treatment of all businesses under tax code
- Competition with the informal sector
Government ownership of business

ABG has equity in several businesses
- Are the financial results available
- How are these investments managed
- How are the investments justified/selected

Each Government investment crowds out private sector activity
- Some Government involvement in business can be justified when private sector does not have appetite to invest/operate
- To date Government business have not shown themselves to be effective

A productive partnership between Government and private sector...
- Will provide space for us to operate and grow
- Will provide space for consultation and dialogue on policy changes
- Will see Government improving the investment climate
Our role in supporting the Government’s drive for tax and revenue

Sounding board for Government proposals and evaluations

• We can lead the private sector’s engagement with Government on revenue and tax
• The three business associations can develop joint positions on tax and revenue issues
• As well as feeding into evaluations
• We will be ready to discuss roundtables with Government on tax and revenue every 3 months

Training on compliance issues

• Our services to members can include training on tax compliance and tax administration services
• IPA, IRC and tax office can use associations as a partner in conducting their training
• We can consider minimum corporate governance standards among our members
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