



Internal Revenue Commission

# **MEDIUM, SMALL AND MICRO ENTERPRISES' (MSMEs) TAX COMPLIANCE CHALLENGES**

**A Presentation for Members of the CPA, New  
Guinea Islands Branch.**

**22 June 2018, Kokopo - ENBP**



# PRESENTATION OUTLINE

- **Background**
- **Record Keeping Challenges**
- **Suggested Measures To Mitigate Challenges**
- **Medium Term Revenue Strategy**
- **SME Policy**

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# Background

**Massive reforms including:-**

- ❑ **Redesign of organisation**
- ❑ **Recruitment of additional staff to deal with new and backlog work**
- ❑ **Focus on compliance**
- ❑ **Medium Term Revenue Strategy**

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# Medium Small and Micro Enterprises (MSME)

- ❑ **Important role in contributing to revenue**
- ❑ **1,000 medium enterprises (20-99 employees)**
- ❑ **1,500 small enterprises (5-19 employees)**
- ❑ **6,500 micro enterprises (less than 5 employees)**
- ❑ **Contributed K2b revenue in 2017**
  
- ❑ **34,000 businesses registered but not active and are likely deemed MSMEs**



# Medium Small and Micro Enterprises (MSME)

- ❑ **Most MSMEs are registered as companies**
- ❑ **NCD and Morobe are the two largest**
- ❑ **East New Britain is next largest with 3,860**

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# Record Keeping Challenges

❑ **Illiteracy**

❑ **Ignorance**

❑ **Location**

❑ **Assistance**

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# Record Keeping Challenges

## 1. Registration Compliance

- ❑ Obtain IPA certification but do not get an IRC Taxpayer Identification Number (TIN)

Challenges are:-

- ❑ Businesses not aware of IPA and IRC requirements
- ❑ No access to IPA and IRC services

# Record Keeping Challenges

## 2. Lodgment Compliance

❑ Remittances due 7<sup>th</sup>, 14<sup>th</sup> and 21<sup>st</sup> each month.

Annual returns are due on 28<sup>th</sup> February or in accordance with Tax Agents Lodgment Program

Challenges are:-

- ❑ No proper records to enable them to file on time
- ❑ Difficulty in accessing IRC services
- ❑ No internet access
- ❑ No access to appropriate forms
- ❑ Forms are long and complex

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# Record Keeping Challenges

## 3. Payment Compliance

- ❑ **Payments due on 7<sup>th</sup>, 14<sup>th</sup> and 21<sup>st</sup> each month.**  
**For CIT and PIT, payments are due 30 days after issue of assessment.**

### Challenges are:-

- ❑ **Cash flow problems**
- ❑ **Access to banks**
- ❑ **Access to IRC offices**

# Record Keeping Challenges

## Reporting Compliance

Challenges are:-

- ❑ Ability to keep proper records
- ❑ Access to advice on tax obligations

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# Suggested Measures To Mitigate Challenges

- ❑ Awareness and education
- ❑ Tax circulars, flyers, pamphlets etc
- ❑ Develop education curriculum for schools and universities
- ❑ Partner with CPA
- ❑ Training programs
- ❑ Review and revise forms
- ❑ Consider presumptive taxes
- ❑ Separate regime for MSMEs

# Medium Term Revenue Strategy

- ❑ **Tax administration Act**
- ❑ **Review of Income Tax Act**
- ❑ **Creation of Large Taxpayer Office**
- ❑ **Design and Monitoring Unit**
- ❑ **Establishment of Compliance Risk Management Steering Committee**

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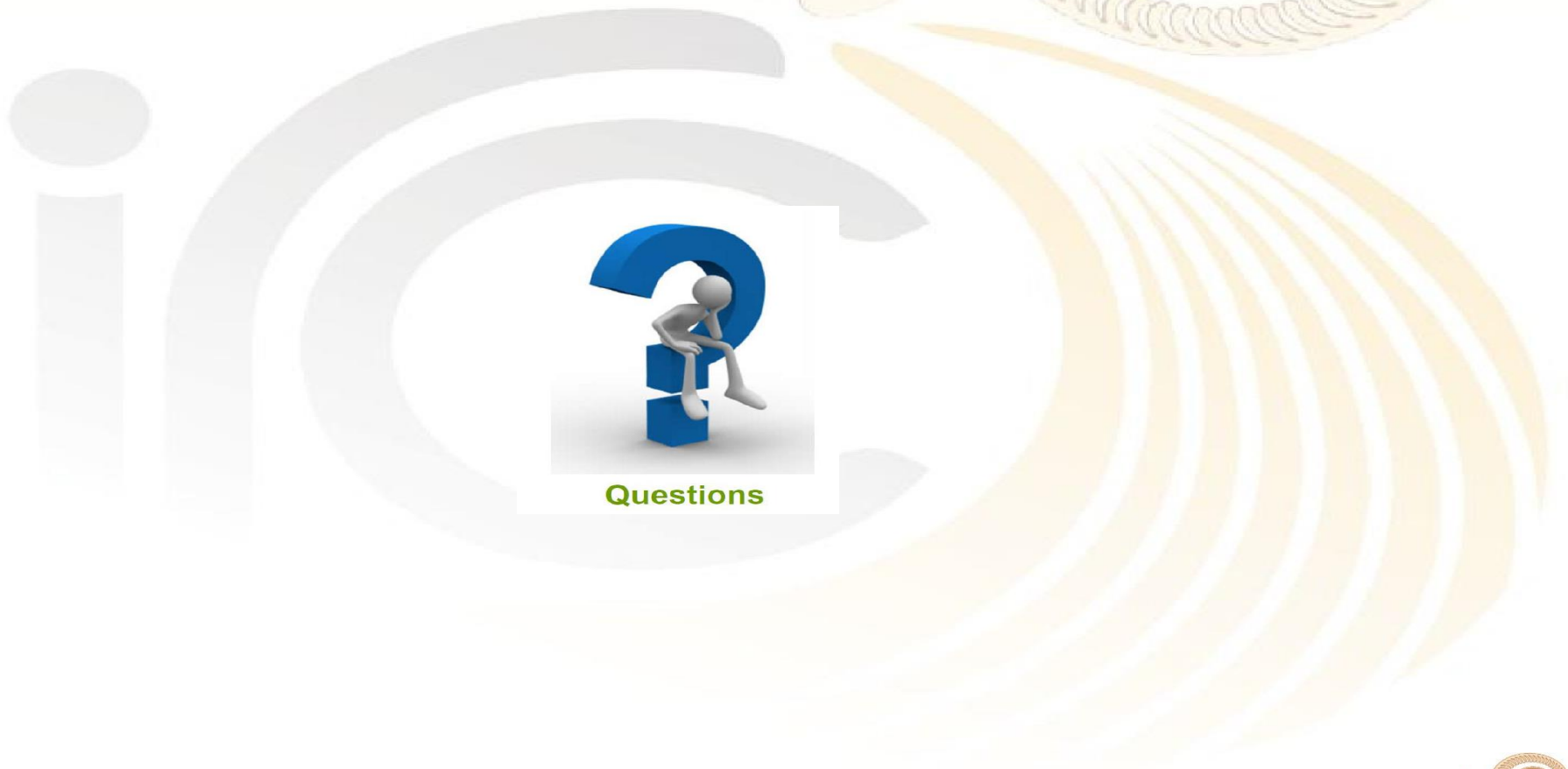
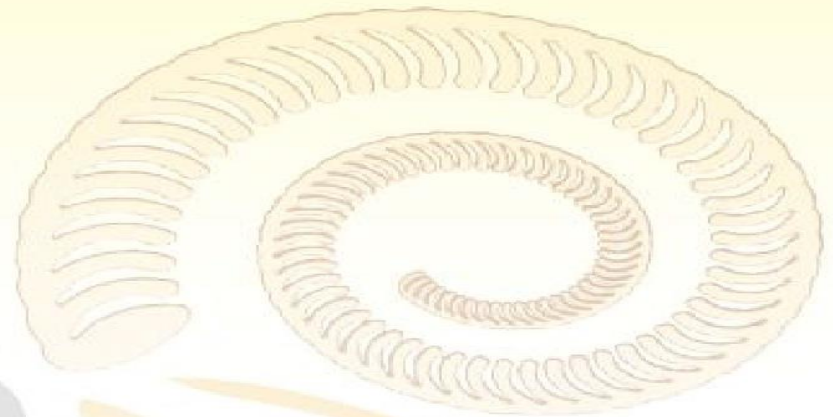
# SME Policy

□ **Government has introduced and SME Framework**

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# Thank you



Questions

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