



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 7th, 14th and 21st each month.

Annual returns are due on 28th 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

Record Keeping Challenges

3. Payment Compliance

- ❑ **Payments due on 7th, 14th and 21st 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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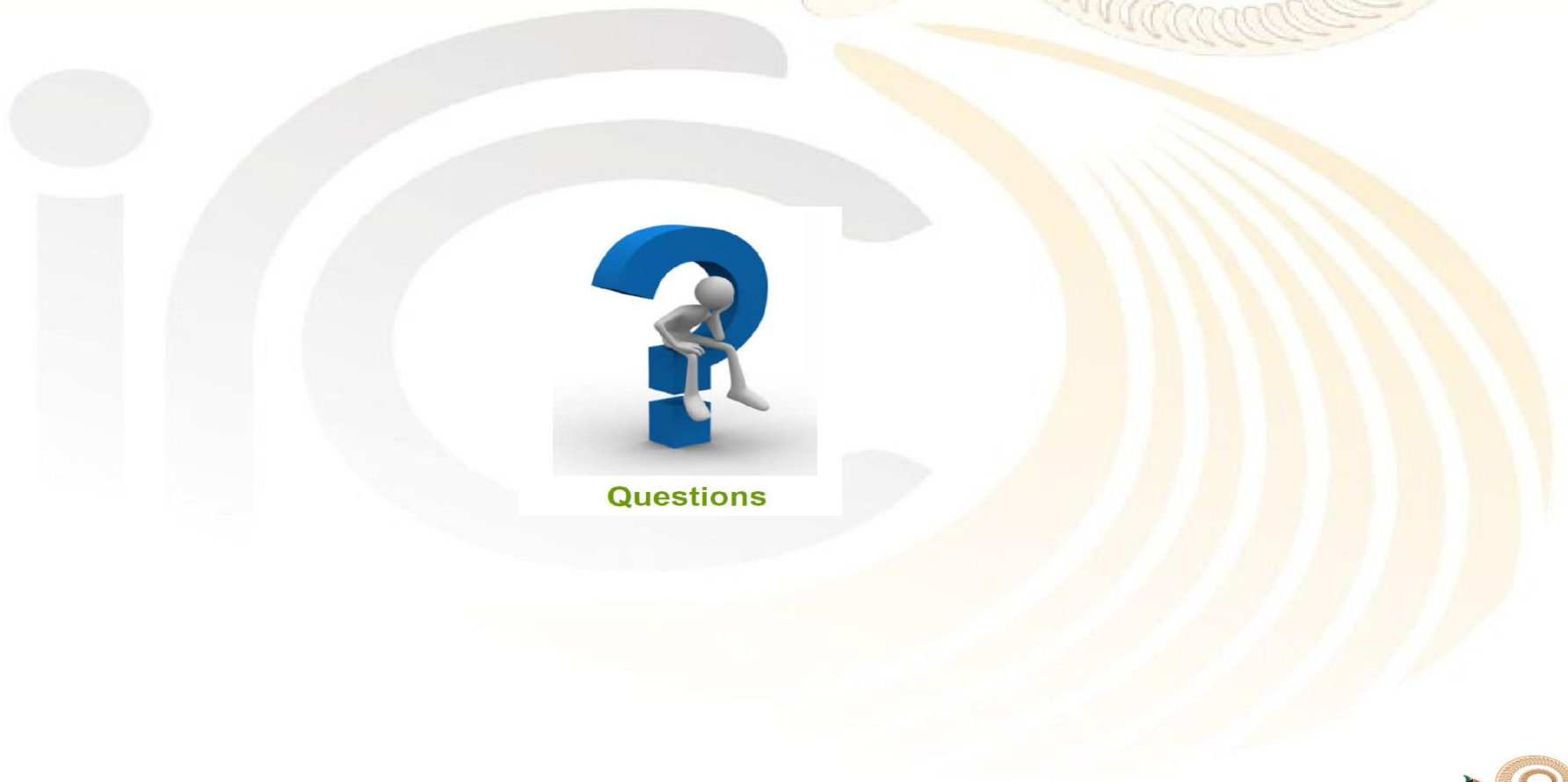
SME Policy

- **Government has introduced and SME Framework**

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Thank you



Questions

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