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2018 BUDGET DAY RESPONSE-K2 BILLION FAKE REVENUE UNDERMINES CREDIBILITY.

“The 2018 Budget released today unfortunately lacks credibility. There is over K2 billion of fake revenues in this 2018 budget. This is a false, crumbling building block which cannot sustain the hopes and dreams of the people of PNG. Unfortunately, both the history of this government in over-estimating revenues, and the specific unrealistic assumptions of this budget means it simply lacks the needed credibility to get this country going again.” This was the initial response to the 2018 Budget by the Shadow Minister for Treasury & Finance Ian Ling-Stuckey.

“Experience demonstrates that when these K2 billion in fake revenues do not come into government coffers, there will be big cuts in expenditure. While I welcome the big increases in health expenditure, and smaller gains in education and transport, the likelihood is that they will be cut again in the inevitable 2018 Supplementary Budget.

“My preliminary view of this Abel Budget is that:

- unfortunately, it fails the people of PNG,
- unfortunately, it is not credible,
- unfortunately, it will not deal with decline in jobs and standards of living of PNG's people,
- unfortunately, it will not deal with PNG's crippling foreign exchange shortages,
- unfortunately, it is not honest enough to actually deal with PNG's acute budget crisis.

“There has not yet been enough time to fully explore the simplistic games of this budget, the fudges and deceptions throughout this document. We will do so over coming days.

“My philosophy is not just to oppose but to propose. So within my response, I will clearly set out why I oppose parts of this un-credible budget. But I will go further. I will propose solutions to the critical issues facing this country – a jobs and standards of living crisis, a foreign exchange crisis and the underlying budget crisis” said Mr Ling-Stuckey.

“My initial concerns about this budget are the un-credible revenue forecasts. From a simple businessman perspective, if you don't forecast your sales correctly, then the rest of your business is at risk.

“The 2018 Budget's revenue assumptions are, frankly, simply delusional. Given the state of the economy, you would be a mad businessman to assume your revenues were going to increase, especially when business conditions were tough, by over 20 per cent. The 2018 Budget assumes that in these tough times, revenues will increase from K10.5 billion in 2017 to K12.7 billion in 2018 – come on!

“The starting point is this government over-estimated revenues by K1 billion in 2017. In 2016, you over-estimated by K2 billion. In 2015, you over-estimated by over K3 billion. If this government was a business, its shareholders would have sacked its directors.

“The 2018 Budget has, based on my early analysis, some K2 billion in “fake revenue”. And when you start with a revenue deception, the rest of your budget falls to pieces” said the Shadow Minister for Treasury.

“Where is this K2 billion in “fake revenue”?

“Playing games by pretending just K24 million to the Internal Revenue Commission and Customs will produce an extra K755 million in revenue. A return of K31 for every extra K1 in admin costs? Just not credible.

“Why not credible? The government tried the same trick in the 2017 budget where it claimed K19 million to the IRC would generate K400 million in extra revenue – a pretend return of K21 for every extra K1 in admin costs. Instead, revenue has gone backwards by K1 billion” said Mr Ling-Stuckey.

“Why not credible? The government claims it will receive K1,250 million from our struggling State-Owned Enterprises, on top of a surprise K565 million once off payment. This is very dodgy accounting and it is very dodgy forecasting. There is no way that our State-Owned Enterprises can pay such huge dividends. There simply is not enough money in the balance sheets of these organisations for such huge payments. Instead, these organisations are having to borrow money to pay these

dividends in some pretty dodgy deals. This will simply mean poorer services from our power and water utilities.

“Why not credible? The 2018 budget assumes an increase of over K0.5 billion in GST revenues – up from K1.5 billion in the 2017 Supplementary Budget to K2.0 billion in 2018.

“I have focused on the un-credible revenue forecasts of this budget. The Alternative Government will explore in greater detail the budget. As we go through some of this detail, we will release additional comments. These will be based around the criteria for a successful budget that I released yesterday” said the Shadow Treasurer.

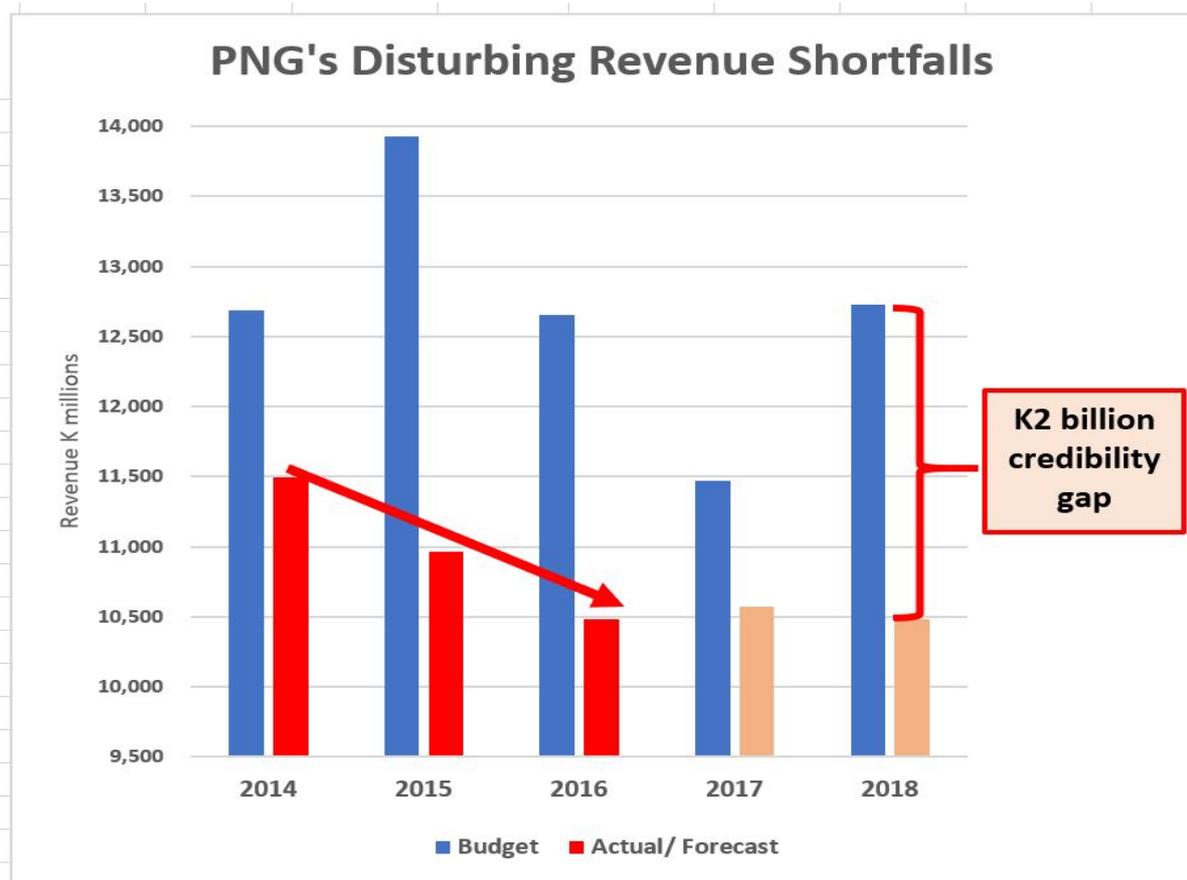
“My aim is not just to oppose but more importantly, drawing on the vibrant and successful history of the National Alliance, to propose solutions.

“We had to get PNG out of the mess of the economic crises of the 1990s, drawing on the excellent start made by Sir Mekere. Lessons have been learnt, and we will have even better policies to deal with the current crises facing this wonderful nation.

“I look forward to presenting these forward looking solutions of PNG's Alternative Government, its people's government, in my formal Budget Response on Tuesday 5 December.”

Hon.Ian Ling-Stuckey,CMG.MP
Shadow Minister for Treasury & Finance

28 November 2017



Source: PNG Treasury Budgets and Final Budget Outcomes. 2017 forecast based on updated figures from 2018 budget (likely to be lower still by FBO), 2018 forecast based on history and analysis of 2018 budget.

2017 Budget, Volume 1

The 2017 Budget also introduces minor policy and housekeeping technical amendments to simplify administration, correct typographical errors and outdated referencing to clarify the law for ease of administration.

5.2 MAJOR TAX POLICY MEASURES

5.2.1 Resourcing revenue raising agencies for improved compliance

The Tax Review Committee's (TRC) wide ranging recommendation for reforms in revenue administration to ensure a highly efficient and effective revenue collection. The Government recognises that underinvestment in revenue administration attributes to significant compliance issues, tax avoidance, tax planning and subsequent revenue losses.

In a recent case study, IRC undertook business information survey with 140 businesses in certain part of NCD. Based on information collected, IRC raised a default assessment worth K35.0 million which it is notifying them to pay. This confirms that there is tax revenue to be collected. This is labour intensive and requires increased resources to cover other centres of PNG - and in doing so, it will increase the tax base.

For these reasons, the Government is providing an increased funding to IRC in 2017. IRC is receiving a total allocation of K90.0 million, K16.0 million above the 2016 appropriation. The increased funding aims to resource IRC for improved compliance and broadened the tax base.

Of the K90.0 million, K5.0 million will be held in Division 207 (Treasury and Finance Miscellaneous) under the Department of Treasury, for a joint Task Force on compliance enforcement. The members of the joint Task Force will comprise of senior Treasury and IRC officials with the Department of Treasury providing the secretariat. The terms of reference will be finalised and presented to NEC for approval in early 2017, which will include outsourcing/engaging reputable international accounting firms to audit major companies.

With the increased funding for 2017, the Government expects IRC to raise K400.0 million additional tax in 2017.