

FIFTH DAY

Tuesday 1 November 2016

DRAFT HANSARD

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FIFTH DAY

Tuesday 1 November 2016

The Parliament met at 2.00 p.m. according to the terms of its resolution of 27 October 2016.

The Deputy Speaker (Mr Aide Ganasi) took the Chair and invited the Member for Kairuku-Hiri, **Honourable Peter Isoaimo** to say Prayers:

‘Dirava ai Tamamai lohiabada, oina herea mik mika, iehova-sabaota. oi guba ai onohomu aina emu ura dainai ina tanobada ai hegunalai daidia a bimu, bona emai orea bana emai taunimanima a guna- laidigmu.

Divara- lohiabada aina kara dika taumai to oi natumu ese korosi ai emase iharamomai dainai, ina tanobada ai auohomui.

Divara lohia bada aina a guri-gurimu emu namo bona heitatao baheni, ai emai Prime Minister enai, ai emai Oppostion Leader bana Speaker tau badabada, Minister Oeradia iboudiai bana governor ibodiai bana parliament Members iboudiai ediai.

Divara- tamamai aina, dia hererea oi vaivamuai, to oina.

Divara namomu dainai, mai dibamai emai clika aboudiai bo gavau taomu bana dala namodiai emai hegunai daidia bai noho lai. Amen.’

Mr Treasurer not being in the Chamber, Mr Deputy Speaker stated that he would resume the Chair after the ringing of the Bells.

Sitting suspended.

Mr Deputy Speaker again took the Chair at 2.20 p.m..

**BROADCASTING OF PARLIAMENTARY PROCEEDINGS –
STATEMENT BY THE DEPUTY SPEAKER**

Mr DEPUTY SPEAKER – Honourable Members I have to inform the Parliament the Permanent Parliamentary committee on Broadcasting of Parliamentary Proceedings met today and resolved that *The National Broadcasting Corporation* will be allowed to broadcast and telecast live the presentation of the 2017 Budget by the Minister for Treasury at 2.00 o'clock this afternoon for television and radio news purposes.

MOTION BY LEAVE

Mr JAMES MARAPE (Tari – Minister for Finance) – I ask leave of the Parliament to move a motion without notice.

Leave granted.

**SUSPENSION OF STANDING ORDERS –
REARRANGEMENT OF BUSINESS**

Motion (by **Mr James Marape**) agreed to –

That so much of the *Standing Orders* be suspended as would prevent;

- (a) The Minister for Treasury presenting the 2017 Budget and associated budget papers,
- (b) Appropriation General (General Public Service Expenditure Bill 2017) Bill 2016, Appropriation (National Parliament 2017) Bill 2016, Appropriation (Judiciary Services 2017) Bill 2016 being presented together and debated as one, and;
- (c) Separate questions being put on the Second and Third Readings.

MESSAGE FROM THE GOVERNOR-GENERAL

A message from his Excellency, the Acting Governor-General dated 1 November 2016 was announced recommending the expenditures of public monies of Papua New Guinea in accordance with *Section 210* of the *Constitution* insofar as the Appropriation (General Public Service 2017) Bill 2016, Appropriation (National Parliament 2017) Bill 2016 and Appropriation (Judiciary Services 2017) Bill 2016 relates to and provides for such expenditures.

02/05

APPROPRIATION (GENERAL PUBLIC SERVICES 2017) BILL 2016; APPROPRIATION (NATIONAL PARLIAMENT 2017) BILL 2016; and APPROPRIATION (JUDICIARY SERVICES 2017) BILL 2016

First Reading

Bills presented by **Mr Patrick Pruitich** and read a first time.

Second Reading

Mr PATRICK PRUAITCH (Aitape-Lumi- Minister for Treasury) – I move

That the Bill be now read and second time

Mr Deputy Speaker, it is with great honour that I present to this Parliament and the people of Papua New Guinea the 2017 National Budget. This will be the fifth consecutive National Budget by the O'Neill led Government and the last budget in this term of Parliament before the National General Elections.

Mr Deputy Speaker, it has been no secret that we are faced with a tight budget. The weakening global situation and low commodity prices have seen government revenues declined and flattened in the past four years. We have been forced by circumstances to tighten our budgetary situation further through supplementary budgets in 2015 and 2016.

Mr Deputy Speaker, in doing so we maintained a conservative cost in terms of fiscal sustainability and will be well placed to capitalise on developments when global economic conditions improve.

Mr Deputy Speaker and honourable Members, the message is straight forward. Throughout most of this year it has been tough for virtually all commodity exporting economies and Papua New Guinea has been no exception.

The ability of the international financial institutions and global analysts to focus trends have been hampered by the uncertainties facing global crude oil and energy market. Uncertain and volatile trends affecting other commodities and the general unexpected decision by Great Britain to exit from the European Union and imminent election in the United States. Other uncertainties related to the treatment of interest rates by the US Federal Reserves and the lingering subdued economic recovery in advance and emerging economies.

Mr Deputy Speaker, the impact for Papua New Guinea of course is that prices of our key export commodities particularly oil has traded below the 2016 Budget assumption and we are not alone in predicting the extent and duration of the lower oil price. In spite of the revenue constraints facing the Government, efforts have continued to build a better future for our nation and our people. Global trends determine prices for our export commodities and therefore we need to be smarter and more proactive in ways that we can manage our economy.

Mr Deputy Speaker, according to the 2016 October World Economic Outlook published by International Monetary Fund, the projections for the world economy has been revised downward and is projected to grow by 3.1 per cent this year. The developments in the world economy are of great importance Papua New Guinea and it determines the demand for our exports and the prices of our key inputs.

The IMF is predicting that growth in 2017 will raise to 3.4 per cent. We are hopeful that 2017 may provide watershed period that points to significant improvement in the global economy as well as in Papua New Guinea.

Mr Deputy Speaker, turning to the economy, I will now discuss the state of our economy. While the medium term outlook for Papua New Guinea economy remains positive, our GDP growth in 2016 has been revised down to two per cent from the 2016 Budget projections of 4.3 per cent. Non-mining GDP growth is also expected to remain positive at 2.5 per cent but lower than the initially projected growth of 3.2 per cent.

03/05

- The exchange rate is projected to weaken against US dollar by 9.2 per cent and the Australian dollar by 13.4 per cent; and
- The inflation is projected to increase from 5.7 per cent to 6.6 per cent.

Mr Speaker, the revised growth projection of two per cent for 2016 is due to time lag effect of the impact on our economy from external factors such as the El Nino weather phenomenon. This resulted in an eight-month shut down of the Ok Tedi, copper-gold mine and simultaneous drought and frost conditions to segments of our large agriculture base.

Notable sectors that have experienced a slowdown in growth are mining and quarrying, manufacturing and the wholesale and the retail trade sectors, Growth projection in these particular sectors have been revised down. The positive medium term outlook in agriculture, fisheries and forestry sectors will slightly complement our moderate economic growth projections.

Some of the factors that influence the downturn in the economic activity in 2016 are expected to ease. Foreign exchange imbalance continues to improve as Ok Tedi Mine ramps up to full production. The additional foreign exchange proceeds from the Credit Suisse second tranche syndicate loan later this year, along with improved export revenues, should fully resolve the US dollar shortages that have also detracted from overall economic growth. The first tranche of US\$200 million was received from the Credit Suisse in August this year.

Mr Speaker, much of this may continue to provide a continuing a sense of uncertainty but, as I mentioned earlier, we are looking forward to steady improvements in the next few years.

Export revenues have stagnated at around K20.8 billion in 2014 and 2015 even though 2015 was the first full year of LNG exports. The anticipated decline in LNG export revenues will be more than offset by a projected all-time high in gold export revenues. Additional export revenues are forecast to improve for copper, oil palm, coffee, cocoa and forest products.

Inflation in 2016 is expected to be 6.6 per cent, higher than the 2016 Budget estimate of 5.7 per cent. The increase accounts for the higher than expected 2015 inflation outcome of 6. per cent, the gradual depreciation of kina against our major trading currencies and the anticipation of a recovery on the commodity prices.

Mr Speaker, I now turn to the 2017 BUDGET, with a fitting theme of, “Responsible Fiscal Consolidation for Future Growth and Development”, as we head into an election year.

Mr Speaker, this Government took office four years ago with one goal in mind. It was determined to lay the foundation for an inclusive and sustainable growth. Since taking office we borrowed to deliver key transformative infrastructural developments, such as Port Moresby City Roads, Lae Wharf and the upgrade of our airports.

However, the collapse in the mineral price in 2012 and the plunge in crude oil price at the end of 2014 were both totally unforeseen circumstances. The confluence of these two

factors has made planning and implementation a lot more difficult. The important thing is that we have come through in relatively good shape. Although much attention and considerable criticism has been focussed on public sectors debt levels, PNG in fact has among the lowest debt to GDP levels globally and certainly relative to other economies experiencing the level of growth that we have had in the last five or six years.

04/05

As the present government's term in office ends, Mr Deputy Speaker, we are confident that we have left behind a legacy of economic growth and diversification that will stand us in good stead in the future. The government's borrowing programme over the past four years has been earmarked at making education accessible to children throughout the length and breadth of the country, having inherited a situation where almost a third of children did not have access to education.

Funding for health has been taken to unprecedented levels and big improvements have been made to hospitals in many parts of the country. Much work has taken place on the nation's infrastructure.

Greatly increased public funding at the provincial government and district levels have created opportunities for improved service delivery to our rural communities and district authorities that have used these funds well have a lot to show for the past four years of development.

Mr Deputy Speaker, these are challenging times for Papua New Guinea, but as a responsible government we have taken tough decisions. We have made decisions in this Budget to safeguard our economy but also to better position our economy to respond to positive improvements in the global economy.

In this regard, Mr Deputy Speaker, the 2017 Budget has been framed against a relatively weak global economic environment, relatively moderate domestic economic activity that has been constrained by the after effects of El Nino and persistent low commodity prices.

The 2017 Budget is set at K12, 965.4 million against a revenue envelope of K11, 088.8 million. This comprises of K9, 182.2 million in tax revenue, K1, 045.3 million in grants and K1, 245.7 million from other sources of revenue.

Mr Deputy Speaker, the 2017 Budget demonstrates the O'Neill-Dion Government's decisiveness to move the Government Debt to GDP ratio onto a sustainable path while supporting development over the medium term.

This reflects through:

- Enhanced opportunities for our people by building the foundation for future development in 2017, whilst recognising the need for macro-economic stability by progressively returning to a balanced budget by 2021.

- Continuing to support policy priorities in the education, health, infrastructure, agriculture, tourism and small and medium-sized enterprise sectors.

- Facilitating the 2017 General Elections and hosting the APEC Summit in 2018.

- Further promoting the efficient and effective implementation of major projects through improved design, scoping and implementation processes.

- Placing more emphasis on monitoring, evaluation and compliance so as to achieve improved development outcomes.

- Strengthen efficiency in the public sector.

- Focus on strengthening and improving quality of spending particularly a clear handle on escalating public sector wage bill.

Mr Speaker, funding is clearly planned to accommodate for high priority expenditure projects that will continue to promote broad based economic growth and adjusting Government Debt to GDP ratio to return to a balanced budget in 2021.

2017 Budget Revenue

Mr Deputy Speaker, total revenue and grants for the 2017 Budget are projected at K11, 088.8 million, a slight drop from the 2016 Supplementary Budget estimate of K11, 722 million. The weak global economic and low commodity prices has taken a toll on government revenue.

Mr Speaker, the Government is aware of challenges affecting low levels of promised funding, particularly dividends from SOEs and as such, endeavours to support SOE rehabilitation and restructuring programmes. All key revenue heads are lower than previous Budgets and for obvious reasons. The Personal Income Tax, the single biggest revenue item has been revised downwards to a total pf K2.9 billion in 2017.

05/01

The Personnel Income Tax, the single biggest revenue item has been revised down towards a total of K2.9 billion in 2017.

Mr Deputy Speaker, on Taxation Measures, the 2017 Budget contains significant taxation measures to support the Government's efforts towards a gradual fiscal consideration

part to maintain macro-economic stability, support continued economic growth and employment through improved, broadened and strong revenue base.

These measures will raise Government revenue by K620 million in 2017.

Mr Speaker, now I would like to take the Honourable members briefly through the four largest tax measures.

(1) The 2017 Budget will re-introduce the progressive log export tax on unprocessed old grade logs to capture the resource rents of varying log species. This means that logs will now be taxed according to their species value. The progressive log export will enable Papua New Guinea to receive a fair share from exploitation of old growth logs.

Mr Deputy Speaker, the progressive log export tax is a deliberate policy measure. International commentators have confirmed that the volumes of logs leaving our shores is not matching the benefits that should be received. The progressive tax should encourage the establishment of downstream processing facilities and for additional spin-off economic activities.

(2) Mr Deputy Speaker, the consumption of alcohol and tobacco has associated social implications which the Government continues to face through increase funding for law and order, manpower, free primary health care, social awareness and education. More so, Mr Speaker, the consumption of such goods contributes to poverty and wasteful expenditure. In this way, the 2017 Budget will increase the alcohol indexation cap from 2.5 percent to a fix rate of 5 percent bi-annually while the tobacco excise base rates will have a one off increase.

(3) Mr Deputy Speaker, this initiative is not without risks. There is possibility of people resorting to cheap illicit alcohol and tobacco. As a responsible Government, a Task Force will be set up to combat illicit tobacco and alcohol activities in 2017.

(4) Mr Deputy Speaker, the 2017 Budget will adjust prescribed taxable component of the employer providing housing benefits. It will create two additional peers of up-market costs house and very high cost house and will fully tax offshore employer provided housing. This is to strike a balance between encouraging and supporting employers to provide accommodation to employees and ensuring fairness to all tax payers.

(5) Mr Speaker, the final tax measure will revamp the existing Additional Profit Tax. APT and extend its application across all mining and petroleum sector and not just the designated gas project. The revise APT will be a single rate of 30 percent and will trigger a single APT threshold rate of 15 per cent. The Tax review committee and International Monetary Fund (IMF) report indicated that the current APT design was below international standards and highly concessional. It was noted the existing high APT threshold rates were the

reason why APT was rarely collected in Papua New Guinea. This measure is aimed at achieving progressivity in the tax system to ensure Papua New Guinea derives maximum benefits from its mining and petroleum wealth.

Mr Deputy Speaker, on minor tax measures included in this budget are other minor tax policy measures which:

Redistributes the gross profits of Gaming Machines to increase the Governments share of higher consolidated revenue fund from 46 percent to 55 percent.

Merge bookmakers stamp duty with bookmakers' turnover tax and increases bookmakers tax turnover tax to 15 percent to simplify administration and encourage individual spending in productive areas, increase departure tax from K30 to K114 to maintain real value of departure tax eroded by inflation over time; standardise the taxation treatment of corporate income tax dividends interest and foreign contractors across all sectors of the economy, and repeal double tax deduction provisions for exploration expenditures.

06/01

The remaining tax measures are technical amendments. They are designed to improve the equity, efficiency and simplicity of PNG's tax system.

The measures will also help modernise the Internal Revenue Commission and improve its administration.

Mr Speaker, on the 2017 Budget expenditure, it remains at K12, 965.4 million compared with the K13 834 million in the recently passed 2016 Supplementary Budget after K928 million was cut from the original budget to prevent budget blowout.

The K1.1 billion reduction in expenditure in 2017 is necessary to maintain overall debt at a sustainable path through a budget deficit of 2.5 per cent or K1 875 million. Overall, debt to GDP ratio will remain at 28.8 per cent, similar to 2016, with a risk that further revenue shortfall could take it over the legislated 30 per cent limit.

Mr Speaker, the 2017 Budget will maintain the government's expenditure strategies as reflected in previous budgets. Close attention will be paid to all government priority areas including health, education, infrastructure and provincial and district level expenditures.

Mr Speaker, the fiscal framework is based on a gradual fiscal consolidation path with the aim of achieving a balanced budget just beyond 2021 while keeping debt at a sustainable level to maintain macro-economic stability.

Mr Speaker, let me elaborate by sectors. The provinces receive K3 billion, K605.7 million or 27.8 per cent of the total budget, which is the largest share of the total budget. Major

appropriations include PSIP of K220 million, DSIP of K890 million, LLG SIP of K32.2 million and Ward level is K61.8 million.

The administration sector received K2 billion K732.3 million or 21.1 per cent of the total budget which is the second largest share of the budget. Major projects include the hosting of the APEC Summit of K250 million, the 2017 National Elections of K400 million, public debt interest expenditure of K1 billion, K316.9 million, superannuation of K272 million, public service retrenchment of K20 million and office accommodation of K78 million.

On the health sector, Mr Speaker, it receives the third largest share of the total budget of K1 billion, K221.2 million or 9.4 per cent of the total budget. Key expenditures include free health care of K20 million and medical supplies procurement of K160 million.

The education sector receives the fourth largest share of the K1 billion, K152.5 million or nine per cent of the budget. These includes tuition fee free policy of K602 million.

The law and order sector receives the fifth largest share of K1 billion, K124.01 million or 8.7 per cent of the budget. These includes the Waigani Court House complex redevelopment pf K80 million, police housing project of K2 million, police modernisation of K15 million and Defence infrastructure of K5 million.

07/01

Mr Deputy Speaker, the Transport Sector received the sixth largest share of that K897.51million or 6.9 per cent of the total Budget. This is a 12.5 per cent reduction from 2016 Supplementary Budget. The Economic Sector is allocated K398 million, Community and Culture Sector K24.6 million and utilities sector received K223.2 million.

Mr Speaker, these appropriations reflect the Government's commitment for policy priority and broad based economic growth.

2017 Budget Financing

The 2017 Budget does that by making positive long term choices that will further strengthen our economy and our communities into the future.

Mr Speaker, I now turn to the financing of the 2017 Budget. The Government intends to move the country's Debt to GDP ratio onto a sustainable path while supporting development. The deficit of K1, 875 million equates to 2.5 per cent of GDP. The Government Debt profile will be managed strictly using a range of financing instruments, including the potential issuance of a Sovereign bond to ease pressure on the domestic debt market.

In addition, the Government will continue to work with relevant stakeholders to progress the key recommendations from a review of PNG's Bond and Capital Markets by development partners.

Complementary Policies

Sovereign Wealth Fund

Mr Speaker, I am pleased to inform this House that an independent firm has been engaged to carry out a comprehensive executive search in the domestic and international labour market to identify and recommend suitable candidates for appointment as chairman and members of the PNGSWF Board. I expect that the Government will announce the establishment of the SWF Board to manage the Fund in early 2017 in view of its role and responsibilities.

Public Sector Reform

Mr Speaker, as you know this is a reform Government. Some of the major Public Sector Reforms initiatives (Legislative and Administration reforms) are:

Review of the Public Sector to determine its efficiency and cost effectiveness in terms of services delivery.

Merging National Departments and Agencies

Management of Manpower and Personnel Emolument Ceilings; and

Superannuation reforms.

Microeconomic Reforms

Mr Speaker, microeconomic reforms are critical to support sustainable economic growth and diversification. The O'Neill-Dion Government has been embarking on structural reforms in bailing the country out of these challenging times.

The Government has initiated various projects and reform exercises at the micro level aimed at creating an environment conducive for private sector growth. The reform undertaken focus particularly on improving access to markets and credit, expanding and enhancing financial services, removing impediments to competition, and more importantly, improving the enabling policies, legislative and regulatory environment for the private sector to thrive.

The 2017 year will see the continuation of the existing programs while taking on board new and viable programs consistent with the following objectives.

08/01

- ensuring strong regulatory enforcement of the competition and consumer protection laws to ensure markets operate competitively with ethical traders and safe guarding small businesses and consumers against unfair treatment,

- Improve the productivity of Sectors particularly important rural and remote areas of Papua New Guinea such as tourism and agriculture,

- reduce the cost of doing business by removing regulatory impediments to private sectors growth and facilitating the development of small and medium sized enterprises (SME's) and

- encourage the operation and transition of informal economy participants to the formal economy.

Mr Speaker, the State has majority interests in Public Enterprises in Papua New Guinea. These State owned Enterprises are expected to operate on commercial terms similar to private organizations.

The Government will continue to focus on developing policies that promote commercial decision making, greater transparency, good governance, and enhanced competition to support better service delivery to the community as well as to attain higher returns from its investments.

These Government commitments will be promoted through various policy reforms including the On-lending and Guarantee Policies, Dividend Policy, Community Service Obligation Policy and the Public Private Partnership Policy.

In conclusion, Honourable Members, the 2017 Budget demonstrates that the O'Neill – Dion Government fiscal measures represent a bold, prudent and sustainable approach to address recent global shocks.

We believe that the 2017 Budget will provide confidence to domestic and international investment communities to continue to invest and be meaningful partners in providing a platform for broad based economic growth and more opportunities and prosperity for our people.

Mr Speaker, the message is clear, we cannot spend money we do not have. We cannot borrow beyond our ability to repay. To survive conditions brought about by global trends, we have to maintain realistic policies that will continue to underpin future growth, while ensuring that current revenues are spent well.

Mr Speaker, in our efforts to return to a balanced Budget beyond 2021, we have maintained a significant level of resilience. Broad based developments are occurring within our rural sector which will ensure significantly higher export revenues from palm oil, coffee and cocoa in the coming years. Around the end of the decade, production of coffee and cocoa will hit a record 60 tonnes annually from 42,800 tonnes for coffee and 30 900 tonnes for cocoa in 2015.

As part of the path towards the fiscal consolidation, a number of corrective measures have been adopted in 2017 Budget. They include;

- Establishment of a revenue taskforce comprising key stakeholders to enforce compliance.
- review and amendment of legislation to divert all non-tax revenue to consolidated revenue.
- amalgamation of departments and agencies, freezes on recruitment, and assessing personal emolument costs;
- SCTB to stop issuing of conditional contracts; and
- reviewing of all infrastructure contracts.

Mr Speaker, earlier in this address I referred to 2017 as an important transition period with clear signs, particularly on export front, that we can anticipate significant economic recovery in the latter part of this decade.

Mr Speaker, Papua New Guinea bureaucrats have taken full responsibility for drafting of the 2016 Supplementary Budget and the 2017 Budget that I am presenting today.

It is with a sense of pride I can inform this Parliament that this transition has been very successful.

09/01

The Budget team is well used to burning the midnight oil as they have done in the past few weeks. I commend them for their high level of professionalism and competence in carrying out this task under the direction of Secretary for Treasury, Mr Dairi Vele.

Mr Deputy Speaker, I know that critics question our ability to manage our own affairs, make your own choices and live with our reality. This Government has placed its faith in its own people to manage this economy and I am pleased to say that my colleague economic Ministers, particularly Minister for Planning and I have good staff who repaid their confidence by structuring a very responsible 2017 National Budget for the Parliament to consider.

Mr Speaker, the O'Neill-Dion Government has been quite diligent in framing its economic and fiscal policies and remain committed to steering an independent cost that is guided by pragmatism and realistic policies.

Mr Deputy Speaker and honourable Members, I commend the 2017 National Budget to Parliament.

Motion (by **Mr Don Polye**) agreed to –

That the debate on the Appropriation Bills be adjourned and made an Order of the Day for a subsequent sitting.

Debate adjourned.

EXCISE TARIFF (2017 BUDGET) (AMENDMENT) BILL 2016

First Reading

Bill presented by **Mr Patrick Pruaitch** and read a first time.

Second Reading

Mr PATRICK PRUAITCH (Atape-Lumi – Minister for Treasury) – I move –

That the Bill be now read a second time.

Mr Speaker the Bill proposes an amendment to:

(1) increase Excise on alcohol from the current biannual cap in the taxation rate of 2.5 per cent to 5 per cent biannually to restore the real value over Excise on alcohol eroded by inflation over time. This amendment is also intended to minimise social and law and order problems related to alcohol consumption;

(2) for a one-off increase of 15 per cent on Tobacco Excise effective base rate to meet the cost of increased health problems associated with tobacco consumption;

(3) remove Tariff Item 2402.20.30 for cigarettes of tobacco substitutes with filter containing dark fired tobacco. This amendment is necessary as this product is no longer in the market and will minimise abuse of this Tariff Item Code; and

(4) increase Diesel Excise from 6 toea to 10 toea to support increased road networks and to maintain existing road networks in good condition.

Mr Deputy Speaker, I commend the Bill to Parliament.

Motion (by **Mr Don Polye**) agreed to –

That the debate be adjourned and made an Order of the Day for a subsequent sitting.

Debate adjourned.

10/05

CUSTOMS TARIFF (2017 BUDGET) (AMENDMENT) BILL 2016

First Reading

Bill presented by **Mr Patrick Pruaitch** and read a first time.

Second Reading

Mr PATRICK PRUAITCH (Aitape-Lumi – Minister for Treasury – I move –

That the Bill be now read a second time.

The Bill proposes an amendment to replace the current fix rate of 28.5 per cent on export on unprocessed old growth logs with the progressive export duty rate. This amendment is necessary to encourage increase downstream processing for spinoff benefits and to fully capture the reoccurrence of varying log species.

Mr Deputy Speaker, I commend the Bill.

Motion (by **Mr Don Polye**) agreed to –

That the debate be adjourned and made an Order of the Day for a subsequent sitting.

Debate adjourned.

INCOME TAX (2017 BUDGET) (AMENDMENT) BILL 2016

First Reading

Bill presented by **Mr Patrick Pruaitch** and read a first time.

Second Reading

Mr PATRICK PRUAITCH (Aitape-Lumi – Minister for Treasury) – I move –

That the Bill be now read a second time.

Mr Deputy Speaker, the Bill proposes that an amendment to empower Internal Revenue Commission for administration of the *Income Tax Act*. An amendment to delete redundant provisions relating to tax exemptions to provide certainty in the *Income Tax Act*. An amendment to uplift the income exemption granted to foreign leaders for lending to resource companies.

The Bill also repeals the double tax deduction concession for exploration expenses in the mining sector. This is necessary for broader alignments and simplification and increase efficiency and tax base. An amendment to implement minimum standards for based erosion profit shifting, action plan on transfer pricing and country by country reporting.

An amendment to revert the *Additional Profits Act* and expand its application across the mining, oil and gas sector to ensure Papua New Guinea fairly benefits from super normal profit from the resource sector. An amendment to establish that only resident individuals, resident trust estate and non-resident person are permitted to withhold dividends withholding Act to simplify administration. An amendment to ensure agents liable for withholding foreign contractors withholding tax are fully complied and impose penalty to ensure compliance.

An amendment to introduce other minor technical amendments to rectify topical errors and redundant references for each of administration.

Mr Deputy Speaker, I commend the Bill.

Motion (by **Mr Don Polye**) agreed to –

That the debate be adjourned and made an Order of the Day for a subsequent sitting.

Debate adjourned.

11/01

**INCOME TAX, DIVIDEND (WITHOLDING) TAX AND INTERESTS
(WITHOLDING) TAX RATES (2017 BUDGET)
(AMENDMENT) BILL 2016**

First Reading

Bill presented by **Mr Patrick Pruaitch** and read a first time.

Second Reading

Mr PATRICK PRUAITCH (Aitape-Lumi – Minister for Treasury) – I move –
That the Bill be now read a second time.

Thank you, Mr Deputy Speaker, this Bill proposes an amendment to apply a fixed rate of 15 per cent of foreign contractor's withholding tax rate and delinks the rates collated with the non-resident rate of 48 per cent. This amendment simplifies tax administration and standardise the dividend withholding tax rate at 15 per cent across all sectors of economy. This amendment ensures fairness in the tax system and promotes efficiency, standardise the resident corporate income tax of 30 per cent across all sectors of the economy. The effect of this alignment will now restore imposition of 15 per cent interest withholding tax in the mining and petroleum sectors.

This amendment simplifies and harmonises taxation in the mining and petroleum sector with those in the non-resource sector and introduces other minor technical amendments to rectify topographical errors and redundant references for ease of administration.

Mr Deputy Speaker, I commend the Bill.

Motion (by **Mr Don Polye**) agreed to –

That the debate be adjourned and be made an Order of the Day for a subsequent sitting.

Debate adjourned.

**INTER-GOVERNMENTAL RELATIONS (FUNCTIONS AND FUNDING) (2017
BUDGET) (AMENDMENT) BILL 2016**

First Reading

Bill be presented by **Mr Patrick Pruaitch** and presented a first time.

Second Reading

Mr PATRICK PRUAITCH (Aitape-Lumi – Minister for Treasury) – I move –
That the Bill be now read a second time.

Thank you, Mr Deputy Speaker. This Bill proposes an amendment to establish the bookmakers turn over tax sharing arrangement with the logical provinces receive 40 percent while the national government retains 60 per cent, this measure aims to protect the integrity of the tax system.

Mr Deputy Speaker, I commend the Bill.

Motion (by **Mr Don Polye**) agreed to –

That the debate be adjourned and be made an Order of the Day for a subsequent sitting.

Debate adjourned.

STAMP DUTY (2017 BUDGET) (AMENDMENT) BILL 2016

First Reading

Bill presented by **Mr Patrick Pruaitch** and read a first time.

Second Reading

Mr PATRICK PRUAITCH (Aitape-Lumi – Minister for Treasury) – I move –
That the Bill be now read a second time.

Thank you, Mr Speaker, the Bill proposed an amendment to increase the rate of departure tax from K30 to K114 to adjust for inflation.

Mr Speaker, I commend the Bill.

Motion (by **Mr Don Polye**) –

That the debate be adjourned and made an Order of the Day for a subsequent sitting.

Debate adjourned.

GAMING CONTROL (2017 BUDGET) (AMENDMENT) BILL 2016

First Reading

Bill presented by **Mr Don Polye** and read a second time.

Second Reading

Mr PATRICK PRUAITCH (Aitape-Lumi – Minister for Treasury) –

That the Bill be now read a second time.

Thank you, Mr Speaker, this Bill proposes the amendment to reduce the gaming machine profit distribution to Community Benefit Fund by 4 per cent and remit holders portion by 5 per cent and those shares reallocated to increase consolidated revenue fund from 46 per cent to 55 per cent to support the 2017 Budget, and to merge the bookmakers stamp duty on betting tickets into bookmakers turnover tax and increase bookmakers turnover tax rate to 15 per cent to simplify administration and to adjust for inflation, obligate bookmakers to comply with turnover tax requirements to ensure government revenue is protected.

Mr Speaker, I commend the Bill.

Motion (by **Mr Don Polye**) agreed to –

That the debate be adjourned and be made an Order of the Day for a subsequent sitting.

Debate adjourned.

12/01

**NATIONAL ROADS AUTHORITY (2017 BUDGET PROVISIONS)
(AMENDMENT) BILL 2016**

First Reading

Bill presented by **Mr Patrick Pruaitch** and read a first time.

Second Reading

Mr PATRICK PRUAITCH (Aitape-Lumi – Minister for Treasury) – I move –

That the Bill be now read a second time.

Thank you, Mr Deputy Speaker. This Bill proposed an amendment to transfer four toea of the imported diesel excise component to the National Road Authority. This amendment will assure that the National Road Authority is sufficiently funded to maintain national roads network in good condition.

Mr Speaker, I commend the Bill.

Motion (by **Mr Don Polye**) agreed to –

That the debate be adjourned and be made an Order of the Day for a subsequent sitting.

Debate adjourned.

DEPARTMENT TAX (2017 BUDGET) (AMENDMENT) BILL 2016

First Reading

Bill presented by **Mr Patrick Pruaitch** and read a first time.

Second Reading

Mr PATRICK PRUAITCH (Aitape-Lumi – Minister for Treasury) – I move –

That the debate be now read a third time.

Mr Deputy Speaker, the Bill proposes an amendment to increase the Departure tax from K30 to K114 to adjust for inflation.

Mr Deputy Speaker, I commend the Bill.

Motion (by **Mr Don Polye**) agreed to –

That the debate be adjourned and be made an Order of the Day for a subsequent sitting.

Debate adjourned.

ADJOURNMENT

Motion (by **Mr James Marape**) agreed to –

That the Parliament do now adjourn.

The Parliament adjourned at 3.15p.m..