



## TAX AWARENESS AND COMPLIANCE KNOWLEDGE AMONG SALARY EARNERS IN PAPUA NEW GUINEA: A CASE OF THE UNIVERSITY OF PAPUA NEW GUINEA

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### **Abstract**

*Personal income tax, particularly salary and wages tax (SWT), contributes significantly to government revenue in Papua New Guinea. For 2023, personal income tax was projected at PGK 3,518.2 million, representing 23.6% of total tax revenue. Yet many salary earners do not know their basic tax entitlements. This baseline study surveyed 115 employees of the University of Papua New Guinea to measure awareness of SWT provisions, including tax thresholds, rebates, superannuation tax, and long service leave pay concessions. Results show that 90% of respondents identified as taxpayers. But only 45% had a Taxpayer Identification Number (TIN). Only 18% knew the current tax threshold. Awareness of rebates was even lower. Just 9% knew about work-related expense rebates. Only 4% had ever received a refund from IRC. About 88% of respondents were unaware of tax relief provisions for salary benefits. Nearly 70% described the current SWT rate as "very high." Respondents identified the employer (45%) and IRC (41%) as the parties most responsible for SWT education. The study confirms a clear need for targeted tax awareness programs for salary earners in PNG.*

**Keywords:** *Salary Wages Tax, Tax Awareness, Papua New Guinea, Personal Income Tax, Tax Compliance, Taxpayer Education, Baseline Study.*

### **1. Introduction**

Taxes keep governments running. In Papua New Guinea, personal income tax is one of the largest single sources of revenue. It brought in PGK 3,467.9 million in 2021 and was projected to reach PGK 3,518.2 million in 2023 (PNG Budget, 2022). That is 23.6% of total tax revenue. Corporate income tax, by comparison, stood at 16.1%.

Salary and wages tax (SWT) is the main form of personal taxation for employees. The employer deducts it from every pay cycle and sends it to the Internal Revenue Commission (IRC). The system works. But a question remains. Do employees actually understand how the tax is calculated?

Tax awareness matters for two reasons. The first is personal benefit. Employees who know their entitlements can claim rebates, check their calculations, and file returns for refunds they are owed. The second reason is national. A well-informed taxpayer base supports voluntary compliance, which lowers collection costs for the government (Palil, 2010).

Niemirowski et al. (2003) studied the connection between tax knowledge and compliance in Australia. They found that people who understood the tax system were more likely to comply and less likely to evade. Saad (2014) confirmed this in Malaysia, showing that a lack of tax knowledge was a major barrier to filing returns.

In developing countries, the picture is sharper. Fjeldstad and Heggstad (2012) studied tax compliance across sub-Saharan Africa and found that low awareness feeds low compliance. People do not avoid taxes because they want to cheat. They avoid them because they do not know what to do. Mascagni et al. (2019) extended this to East Africa and reached a similar conclusion.

PNG fits this pattern. The number of individual tax return filers has dropped sharply, from 32,666 in 2015 to just 6,925 in 2020 (IRC data). Group tax employers file on behalf of workers, but individuals rarely file their own returns. That means rebates go unclaimed. Refunds go uncollected. And opportunities for tax planning are missed.

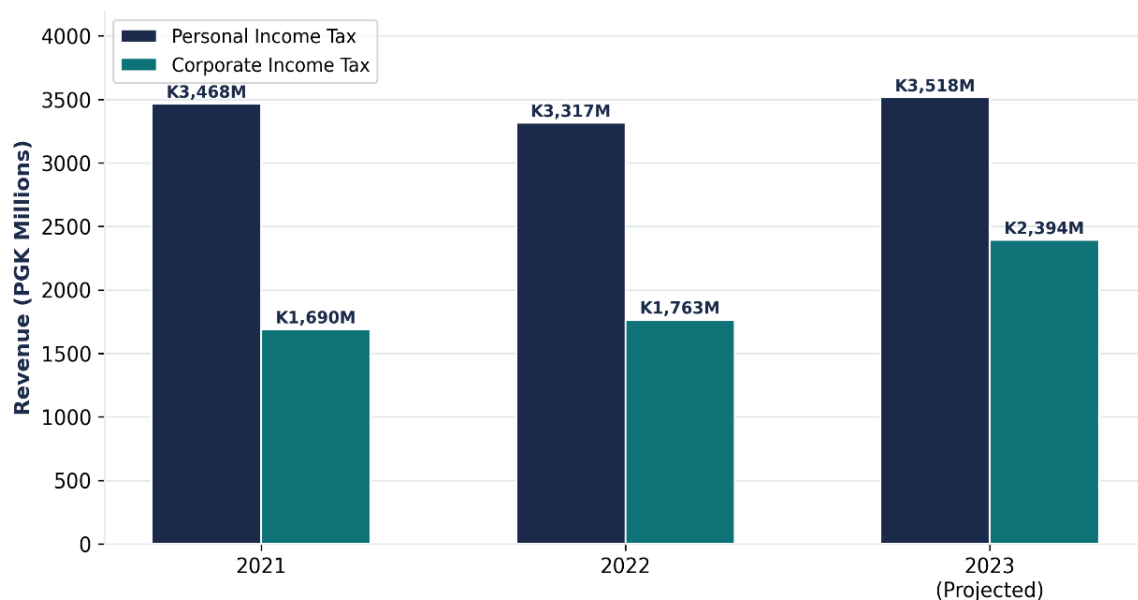
A team at the University of Papua New Guinea designed this baseline study to measure how much employees actually know about the SWT system. The university was chosen as the starting point because it employs both academic and non-academic staff across a range of income levels and educational backgrounds.

## 2. Tax Context in PNG

PNG uses a progressive tax system for salary and wages. The minimum tax-free threshold was K12,500 under the 2019 tax table. As a COVID-19 relief measure, the government increased this to K17,500 in 2022 and K20,000 in 2023. For employees earning above K20,000, the 2023 relief translated into savings of about K1,650 per year.

Long service leave pay and superannuation payouts attract special concessional tax rates of 2%, 8%, and 15% respectively. These rates are significantly lower than regular salary tax rates. Employees who qualify for these concessions can save substantial amounts. But only if they know the provisions exist. PNG also offers several tax rebates. Dependent rebates allow taxpayers to claim deductions for family members. Work-related expense rebates cover costs incurred in earning salary income. Gifts to approved charities can also attract rebates. All of these require the employee to file a tax return with IRC.

**Figure 9: Personal Income Tax vs Corporate Income Tax Revenue**



**Figure 9: Personal Income Tax vs Corporate Income Tax Revenue (Data Source: 2022 Budget)**

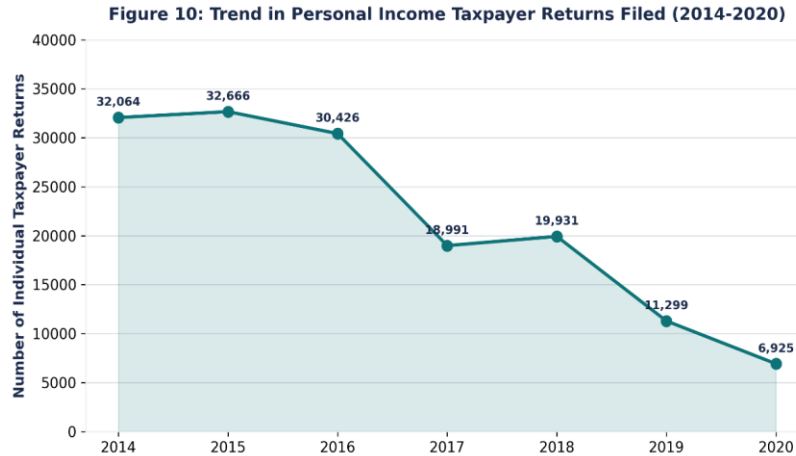


Figure 10: Trend in Personal Income Taxpayer Returns Filed, 2014-2020 (Data Source: IRC)

### 3. Objectives of the Study

The study aimed to measure awareness among UPNG employees on five topics: tax threshold limits and tax rates for different salary slabs; tax on superannuation and long service leave pay; salary packaging and salary sacrificing; roles and responsibilities of individuals and group tax employers; and employee opinions on tax education.

### 4. Research Methodology

The study used a survey-based approach with mostly quantitative data. A structured questionnaire was distributed to employees of UPNG's Waigani campus. The questionnaire covered demographic information, basic tax awareness, knowledge of salary benefits, awareness of rebates and credits, and opinions on SWT rates and taxpayer education.

Out of a total staff population of 826, questionnaires were distributed to 200 employees. A total of 115 completed responses were received, giving a net response rate of 14% of the total population. Data was collected through face-to-face interviews during July and August 2023. Secondary data came from IRC, the 2022 national budget, and the UPNG HR department. Percentage analysis was the primary analytical tool. The study was designed as a baseline to measure awareness levels, not to test hypotheses or build predictive models.

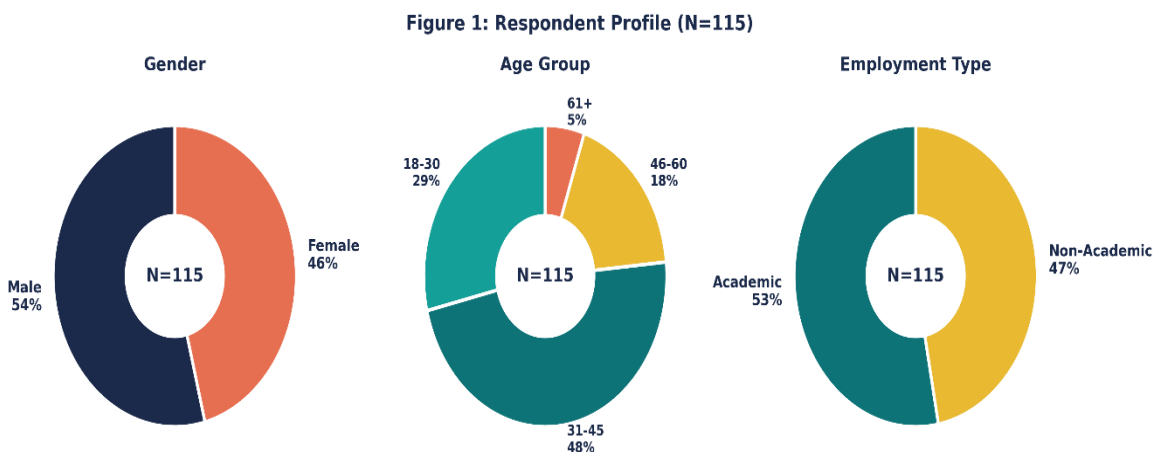


Figure 1: Respondent Profile (N=115)

Figure 2: Income Distribution and Educational Background (N=115)

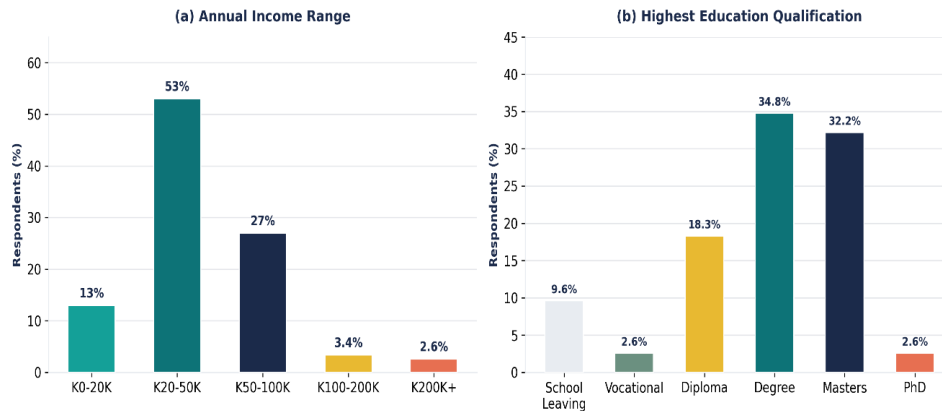


Figure 2: Income Distribution and Educational Background (N=115)

The sample was 54% male and 46% female. About 48% fell in the 31-45 age group. On income, 53% earned between K20,000 and K50,000 annually. Most respondents (34.8%) held a bachelor's degree, followed by master's degree holders (32.2%). About 53% were academic staff. In terms of disciplinary background, 88% came from non-accounting fields.

## 5. Findings and Analysis

### 5.1 Basic SWT Awareness

Nine questions tested basic tax knowledge. The results showed a wide range. On the positive side, 90% of respondents identified themselves as taxpayers. About 65% knew what a salary declaration form is. But deeper knowledge was limited. Only 45% had a TIN. Only 38% received a Statement of Earning from their employer. Just 19% knew the minimum and maximum personal tax rates. Only 18% could identify the current tax threshold limit.

The two lowest scores went to knowledge of employer obligations. Only 11% were aware of the role of the group tax employer. Just 7% understood group tax employer obligations. These are the mechanics of how their own tax gets calculated and paid. Yet very few people understood them.

Figure 3: Basic Salary and Wages Tax Awareness (N=115)

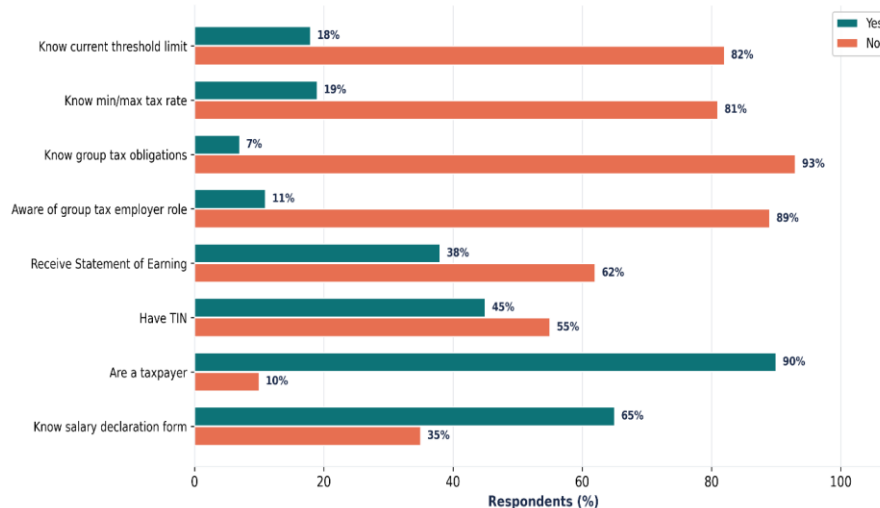
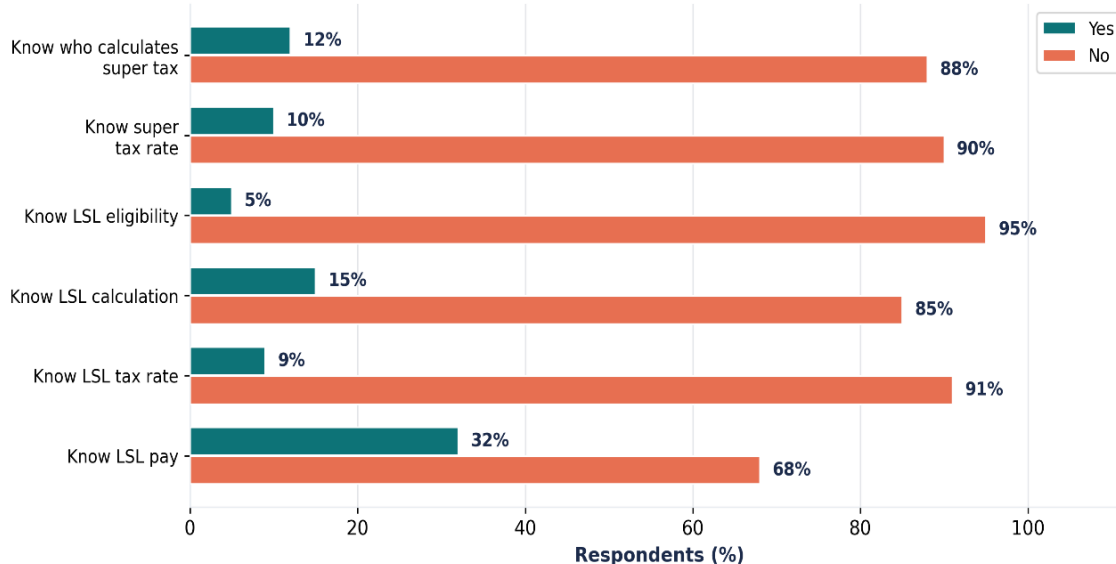


Figure 3: Basic Salary and Wages Tax Awareness (N=115)

## 5.2 Long Service Leave and Superannuation

Awareness of concessional tax provisions was lower still. About 32% knew about long service leave pay. Only 9% knew the current special tax rate for LSL. Just 15% knew how to calculate it. And only 5% understood who qualifies for the concessional rate. For superannuation payouts, 10% knew about the special concessional rate. Only 12% knew who is responsible for calculating the tax on super payouts. These are real financial benefits. Missing them means paying more tax than required.

**Figure 4: Awareness of Long Service Leave and Superannuation Tax (N=115)**



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## 5.3 Salary Benefits and Tax Relief

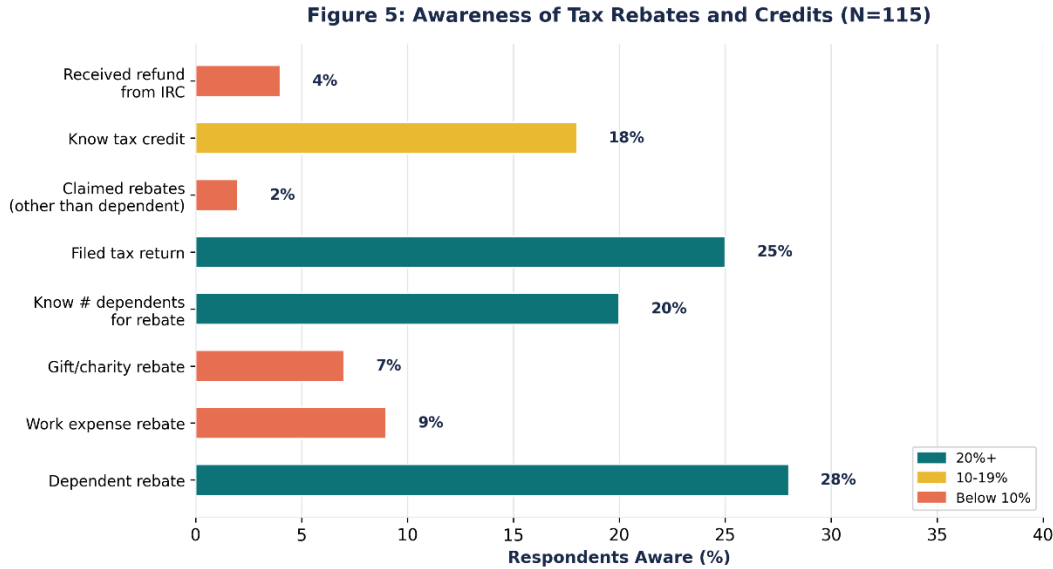
About 37% of respondents received some form of salary benefit beyond base pay. The most common were air ticket benefits (67% of those receiving benefits), gratuity (65%), and housing benefits (51%). Nobody received car benefits.

But here is the key finding. Only 12% of all respondents were aware of tax relief provisions related to these salary benefits. The benefits exist. The tax relief exists. The knowledge does not reach the people who need it. Saad (2014) found the same pattern in Malaysia: taxpayers missed entitlements simply because they did not know the provisions existed.

## 5.4 Rebates, Credits, and Returns

Awareness of tax rebates was among the lowest in the entire study. The dependent rebate was the most recognized at 28%. Work-related expense rebates stood at just 9%. Gifts and charity rebates were at 7%. Only 25% of respondents had ever filed a tax return. Just 2% had claimed any rebate other than the dependent rebate. Only 4% had ever received a refund or tax credit from IRC. These numbers suggest that significant amounts of money may go unclaimed each year.

About 29% had heard of salary sacrificing and salary packaging concepts. Among those with non-salary income, 55% had sole trader income, 32% had dividend income, and 18% had rental income. Only 9% knew that business losses from a sole trader operation can be offset against salary income.

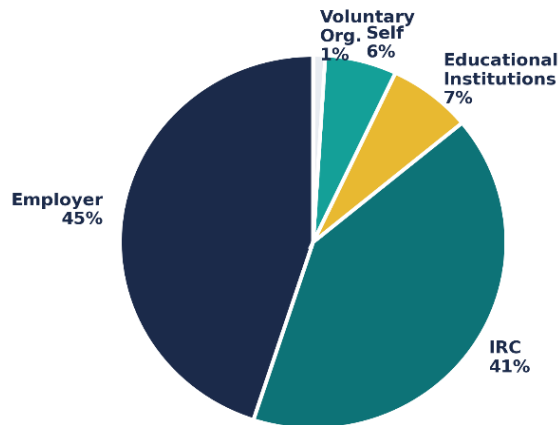


**Figure 5: Awareness of Tax Rebates and Credits (N=115)**

### 5.5 Responsibility for Tax Education

Who should be responsible for educating salary earners about their tax? Respondents pointed to two parties. The employer came first at 45%. IRC followed at 41%. Educational institutions were mentioned by 7%. Only 6% said the individual should be responsible. This tells us something important. People want their organizations to help. They see tax education as a shared responsibility between the employer and the tax authority. Palil and Mustapha (2011) found a similar expectation in Malaysia, where employees looked to both employers and the revenue authority for tax guidance.

**Figure 6: Who Should Be Responsible for SWT Awareness? (N=115)**



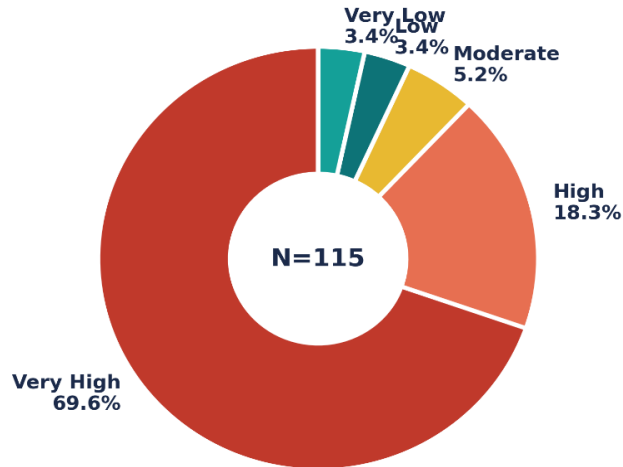
**Figure 6: Who Should Be Responsible for SWT Awareness? (N=115)**

### 5.6 Opinions on SWT Rates

How do employees feel about the current tax rate? About 69.6% said it was "very high." Another 18.3% said "high." Combined, that is 87.9% who consider the SWT rate high or very high.

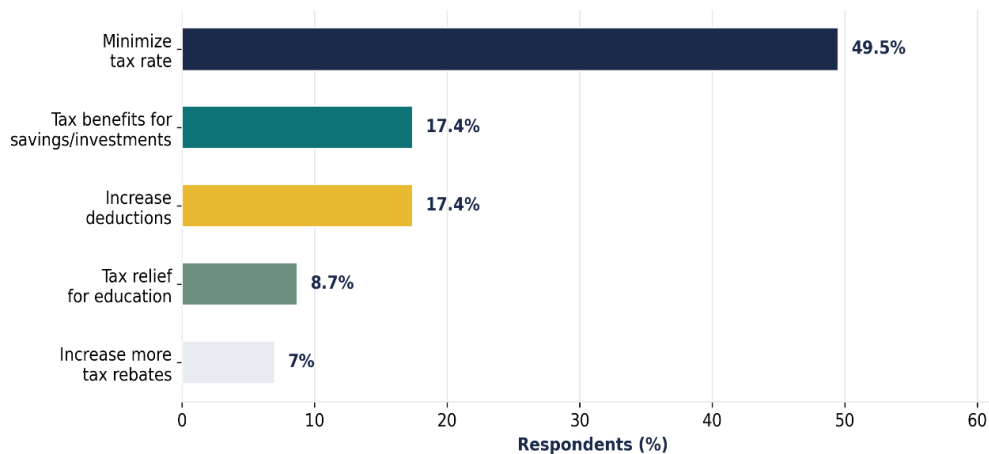
When asked what they expect from the government, the top response was minimizing the tax rate (49.5%). Tax benefits for savings and investments and increased deductions tied at 17.4% each. Tax relief for education came at 8.7%. Increased rebates at 7%.

**Figure 8: Taxpayer Opinion on Current SWT Rate (N=115)**



**Figure 8: Taxpayer Opinion on Current SWT Rate (N=115)**

**Figure 7: Taxpayer Expectations from the Government (N=115)**



**Figure 7: Taxpayer Expectations from the Government (N=115)**

### 5.7 Respondent Suggestions

The most common suggestion (43.5%) was that IRC should conduct regular tax awareness programs, including trainings and workshops, for all organizations in both public and private sectors. About 31.3% recommended that HR departments in every organization should conduct SWT awareness sessions for new employees. Smaller groups suggested creating a digital SWT platform accessible to everyone (4.3%), increasing the tax threshold (4.3%), producing a standard tax manual for taxpayers (1.7%), and making tax information simpler and widely distributed (1.7%). About 3.5% recommended no taxes for low-income earners. And 1.7% said employees should take personal responsibility for educating themselves.

## 6. Discussion

The data reveal a pattern that echoes findings from other developing countries. Basic identification as a taxpayer is high (90%). But deeper knowledge is low. People know they pay tax. They do not know the details of how it works or what benefits they can claim.

Fjeldstad and Heggstad (2012) described this as "surface compliance without substance." Taxes get paid because employers deduct them automatically. But the voluntary side of the system, filing returns, claiming rebates, checking calculations, barely functions. In PNG, only 25% of respondents had ever filed a return. Only 4% had received a refund.

The declining number of individual tax filers (from 32,666 in 2015 to 6,925 in 2020) reinforces this picture. Mascagni et al. (2019) found in Rwanda that targeted taxpayer education programs improved filing rates. A similar approach could work in PNG. The salary benefits finding is striking. About 37% receive non-salary benefits. Only 12% know about the tax relief attached to those benefits. Kirchler et al. (2008) proposed that trust in the tax system and knowledge of provisions work together to drive compliance. When knowledge is missing, even a fair system produces unfair outcomes.

The respondents themselves pointed toward solutions. They want education from IRC and from their employers. They want workshops, digital platforms, and simpler information. These are practical requests. And 45% of respondents placing responsibility on the employer suggests that workplace-based programs could be the most effective delivery channel.

## 7. Limitations

The study covered only the Waigani campus of UPNG. Other campuses were not included due to logistical and financial constraints. The response rate (115 out of 200 distributed, from a total staff of 826) limits how far the results can be generalized. The study measures awareness through self-reporting. Respondents may overstate or understate their knowledge. Objective testing of tax knowledge would add depth in future research.

## 8. Stakeholder Roles and Recommendations

Based on the findings, the study identifies roles for three stakeholders. IRC could develop exclusive educational programs tailored to SWT group tax payers in both public and private sectors. Group tax employers could arrange with IRC to create awareness among their staff members through periodic tax update programs and group discussions with HR departments.

Individual employees can take an interest in learning tax updates, obtaining a TIN, and filing tax returns to claim their rightful benefits. The SBPP at UPNG has already started contributing by planning tax update training for payroll and bursary staff, sharing IRC updates with staff, and preparing basic tax awareness seminars in collaboration with CHRD.

## 9. Conclusion and Scope for Further Study

This baseline study confirms that tax awareness among salary earners at UPNG is limited. Basic identification as a taxpayer is high. But knowledge of specific provisions, such as thresholds, rebates, concessional rates, and filing obligations, is low across all categories of staff.

The findings point to a clear opportunity. Targeted education programs, delivered through employers and supported by IRC, could improve knowledge and encourage voluntary compliance. Digital



platforms and simplified tax guides could reach employees who currently have no access to tax information.

The research team plans to extend this study using advanced statistical tools to examine the relationship between tax awareness and taxpayer compliance. Future research will include public and private organizations in Port Moresby and other provinces. The goal is to build a national picture of SWT awareness and contribute to evidence-based tax education policy in PNG.

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**Appendix: Key Data Summary**

**Table 1: Basic SWT Awareness Summary (N=115)**

<b>Question</b>	<b>Yes %</b>	<b>No %</b>
Identify as taxpayer	90%	10%
Know salary declaration form	65%	35%
Have TIN	45%	55%
Receive Statement of Earning	38%	62%
Know min/max tax rate	19%	81%
Know current threshold	18%	82%
Aware of group tax employer role	11%	89%
Know group tax obligations	7%	93%
Know LSL pay	32%	68%
Know LSL tax rate	9%	91%
Know dependent rebate	28%	72%
Know work expense rebate	9%	91%
Filed tax return	25%	75%
Received refund from IRC	4%	96%