

# Who Benefited From A US\$100 million Tax Cut On Food in Papua New Guinea?

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November 2025

- ▶ Summary of reform and findings
- ▶ Details of the data and analysis
- ▶ Findings from each data source
- ▶ Implications for policymakers

- ▶ **Summary of reform and findings**
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# Details of the tax reform

- ▶ The PNG Government recently introduced a reform that aimed to assist poor households by removing taxes from basic items
- ▶ On 1 June 2025, GST (levied at a rate of 10%) was eliminated for a 13-month period at a cost of around USD100 million
- ▶ The following items became "zero-rated": Cooking oil, Rice, Tinned fish, Tea, Flour, Tinned meat, Chicken, Noodles, Biscuits, Coffee, Soap, Sanitary products, and Baby diapers

# Details of the tax reform

## Lower prices for 13 items

### Govt plans relief for consumers

CONSUMERS can expect a 10 per cent decrease in the prices of 13 essential household items from June 1 this year to June 30 next year, according to the Internal Revenue Commission (IRC).

Commissioner-general Sam Kozim, in a letter to businessmen, said the essential items would be zero-rated for the Goods and Services Tax (GST) to provide some relief to consumers.

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**No GST shall be charged on the following items**

- Tinned Fish
- Rice
- Cooking Oil
- Biscuits
- Wheat Flour
- Chicken
- Instant noodles
- Coffee
- Tinned meat and tampers
- Soap
- Tea
- Baby Diapers

## PUBLIC NOTICE

### GST ZERO-RATING OF ESSENTIAL GOODS

**Effective 1st June 2025 – 30th June 2026**

The Internal Revenue Commission (IRC) hereby informs the general public and the business community that, as part of the Government's response to ongoing cost-of-living pressures, the following essential goods will be zero-rated for Goods and Services Tax (GST) effective 1st June 2025 to 30th June 2026.

This means no GST shall be charged on the sale of the following items:

No.	Item	Description
1	Baby Diapers	All types of baby diapers
2	Tinned Fish	Includes mackerel, tuna, sardines, salmon, anchovies, etc.
3	Cooking Oil	All edible vegetable oils (soya bean, canola, olive, coconut, mustard oil, etc.)
4	Biscuits	All varieties including cream and salted biscuits
5	Wheat Flour	Plain, self-raising, and wholemeal (wheat-based only)
6	Chicken	Fresh, sliced, frozen, processed, and packed
7	Instant Noodles	All types packaged with seasoning (excluding pasta)
8	Coffee	Ground, powdered, or beans (excluding iced/hot coffee drinks)
9	Tinned Meat	All varieties including beef (Beef & Palm), chicken, pork (Tulog), etc.
10	Rice	Common rice types (including basmati, jasmine, long grain, brown rice, etc.)
11	Sanitary Pads & Tampons	All types
12	Soap	All solid bar soaps (including liquid hand wash and dishwashing liquids)
13	Tea	All types and packaging (excluding iced/hot tea drinks)

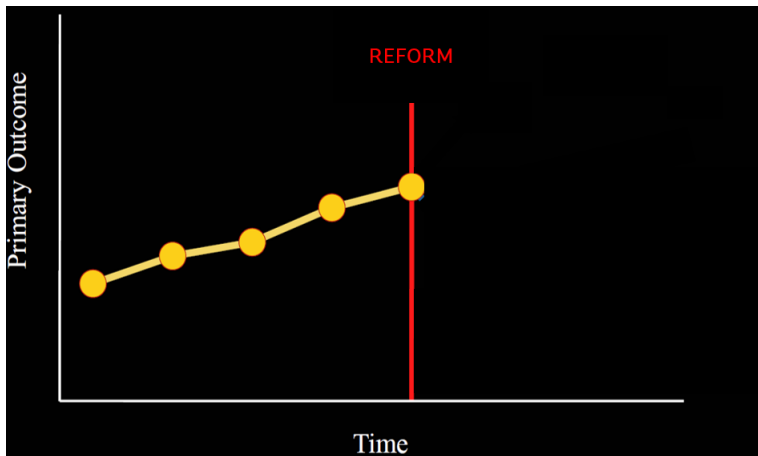
**NOTICE TO BUSINESSES, RETAILERS AND SUPPLIERS:**

The Government's intention is to provide direct relief to consumers. All registered suppliers, retailers, and traders are legally required to adjust their pricing to reflect the zero-rating of GST on the listed goods.

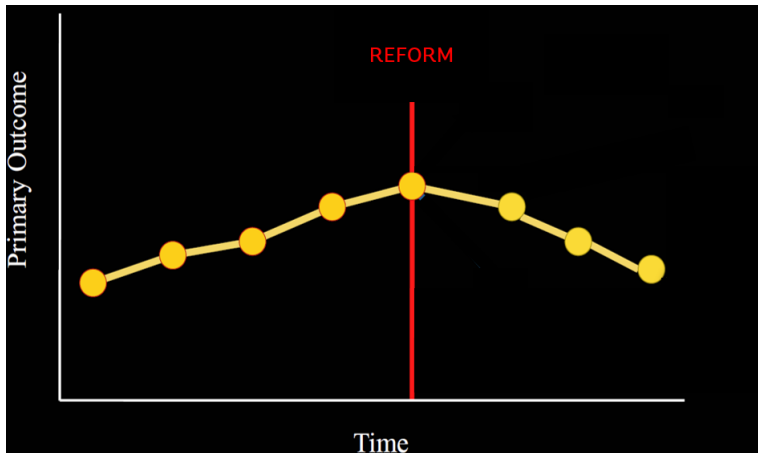
You must not charge GST on these items during the zero-rating period.

Any failure to pass on the tax relief to consumers—whether by continuing to apply GST or by retaining prices at pre-zero-rating levels—will be treated as non-compliance with tax laws. Offenders will be subject to penalties under the Goods and Services Tax Act 2003 and other relevant laws.

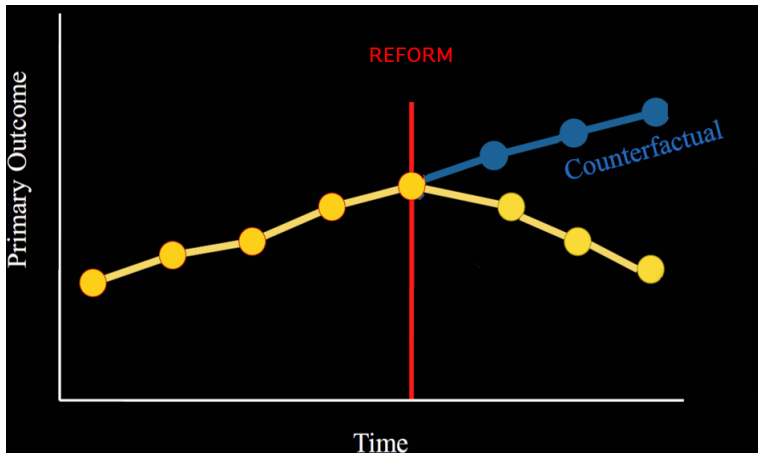
# Estimating the impact of the reform



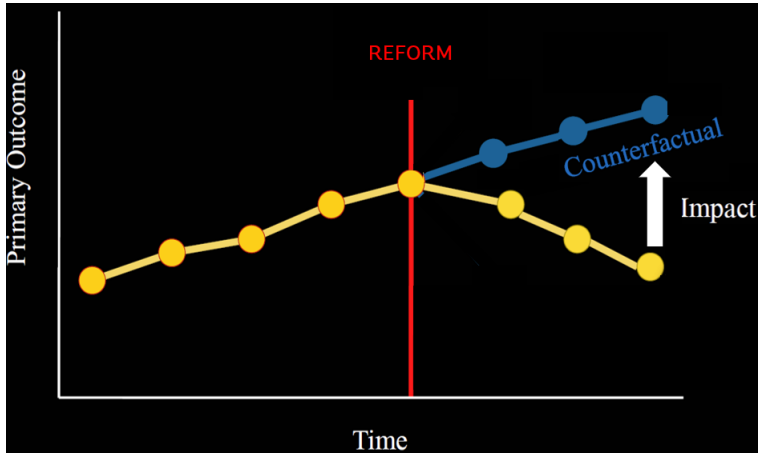
# Estimating the impact of the reform



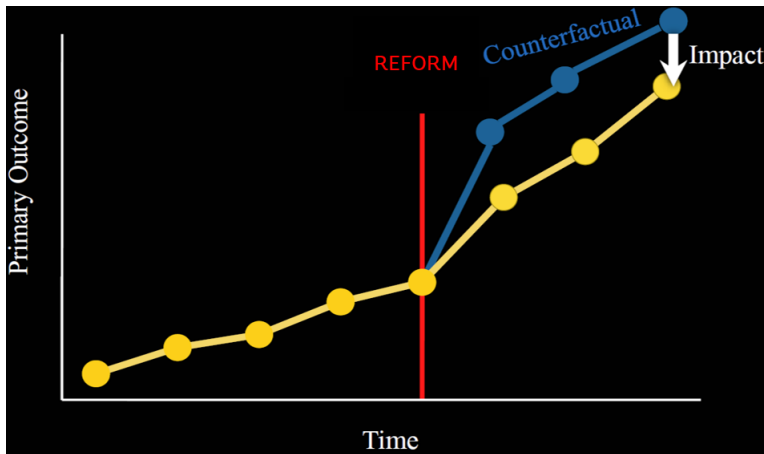
# Estimating the impact of the reform



# Estimating the impact of the reform



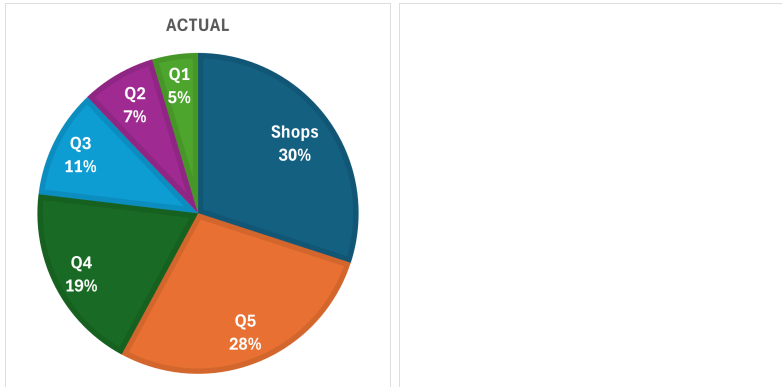
# Estimating the impact of the reform



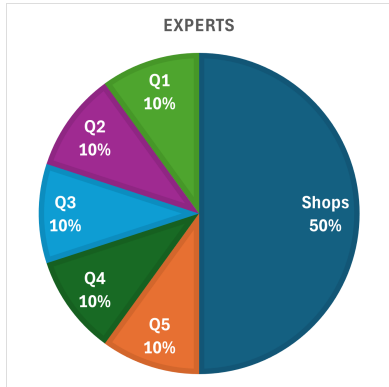
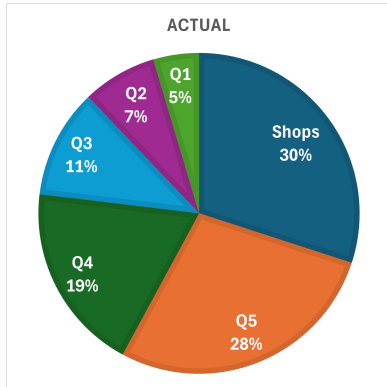
# An impact evaluation is required to estimate who benefited

		Methodology	
		Qualitative	Quantitative
Focus of Evaluation	Process		
	Impact		✓

# Who benefited from the US\$100 million tax cut in PNG?



# Who benefited from the US\$100 million tax cut in PNG?

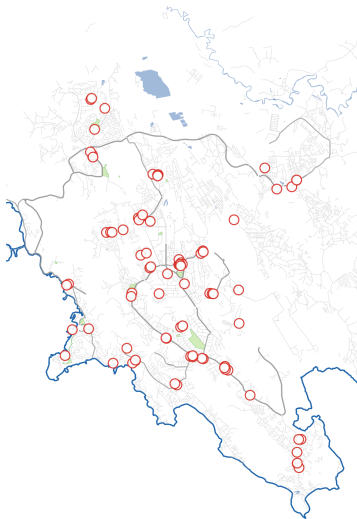


- ▶ Summary of reform and findings
- ▶ **Details of the data and analysis**
- ▶ Findings from each data source
- ▶ Implications for policymakers

# Data sources drawn on

<b>Data Source</b>	<b>Coverage</b>	<b>Store type</b>	<b>Limitations</b>
Official CPI data	Urban areas	Formal	Subset of locations
Supermarket census	Port Moresby	Formal	Limited pre-trends
Phone survey panel	Nationwide	Informal + Formal	Self-reported
Scraping of websites	Port Moresby	Formal (Chain)	Only largest chains

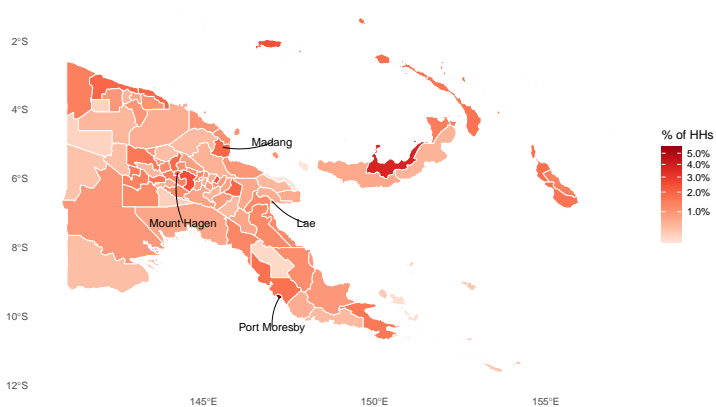
# Map of supermarkets in Port Moresby



# Map of phone survey respondents locations

## Papua New Guinea — Phone Survey Households by District

Percent of unique households per district



Source: phone survey & administrative boundaries

- ▶ Measure how much shops pass on the tax cut to consumers by comparing price changes in the zero-rated food items (“treatment”) with other similar food items (“control”)
- ▶ Investigate how much households consume of the zero-rated items across the income distribution and where they buy them
- ▶ Examine variation based on store type and location
- ▶ Complement study with a prediction survey by 237 experts

# Treatment and control groups from supermarket census

<b>TREATMENT</b>	<b>CONTROL</b>
Cooking oil	Butter
Rice	Kaukau (sweet potato)
Tinned fish	Tinned baked beans
Tea	Broccoli
Flour	Sugar
Tinned beef	Sausages
Chicken	Powdered milk
Noodles	Breakfast cereal
Biscuits	Bananas
Coffee	Milo

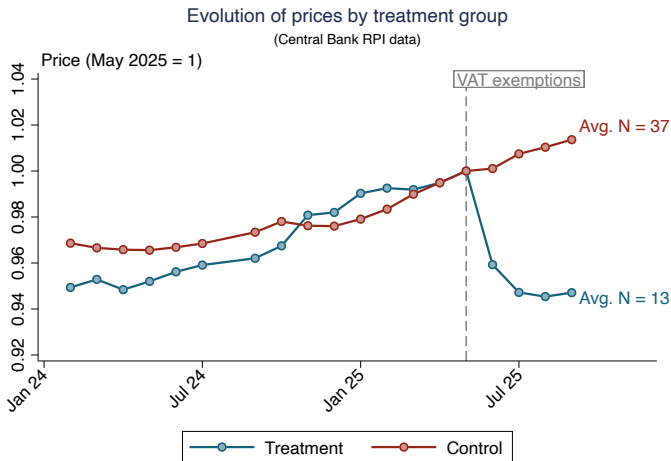
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# Presentation of Results

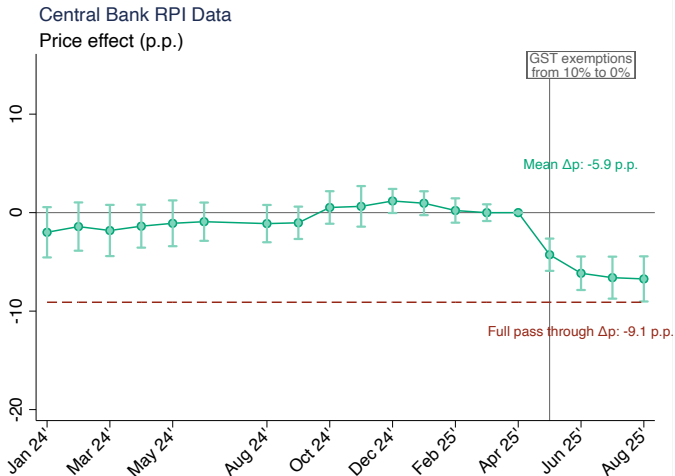
- ▶ Measure how much shops pass on to consumers based on:
  - ▶ Administrative data from the central bank and NSO
  - ▶ Monthly census of all supermarkets in Port Moresby
  - ▶ Nationally representative, monthly panel of phone surveys
- ▶ Investigate the consumption patterns of households
- ▶ Summary of findings

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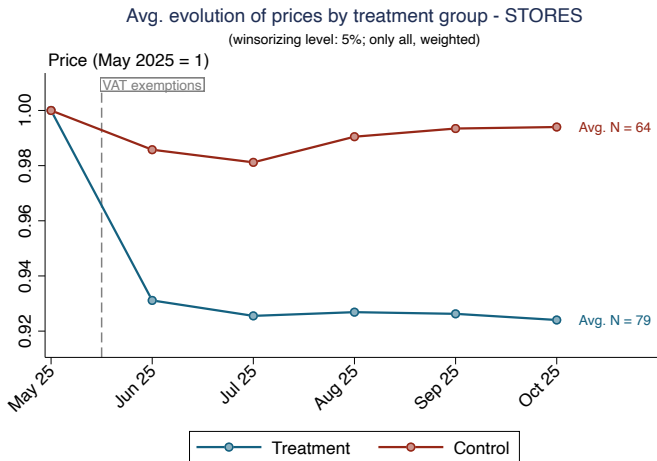
# Pass-through based on administrative data (BPNG)



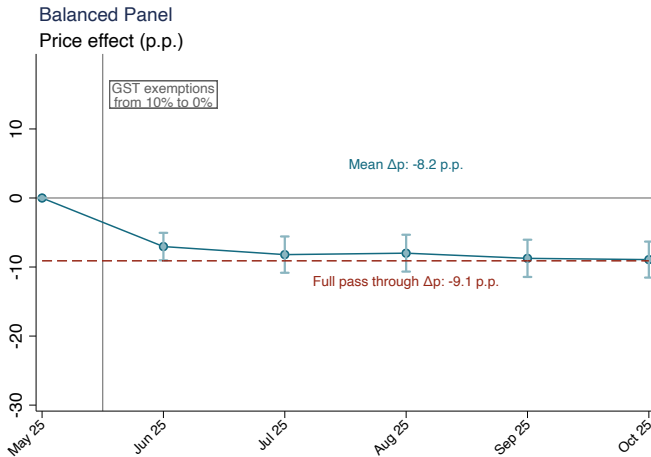
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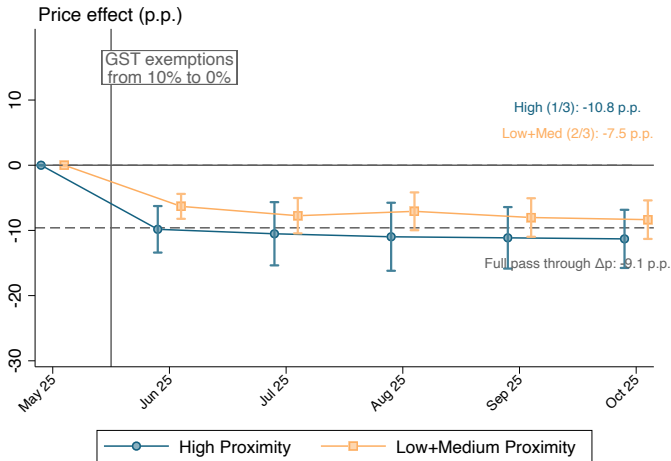
# Pass-through based on supermarket census



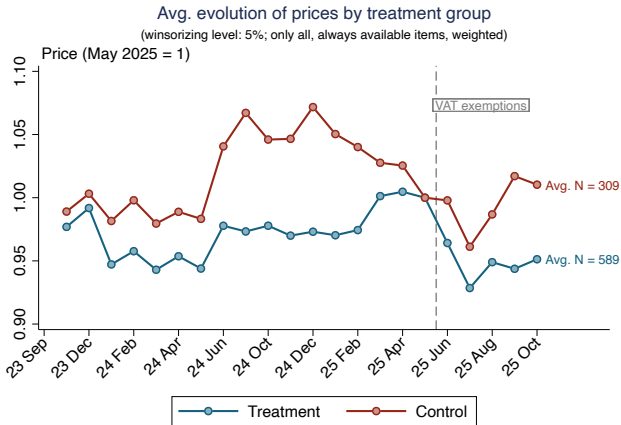
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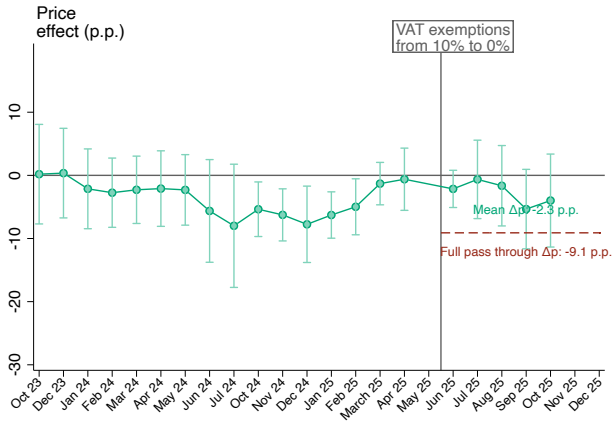
# Pass-through based on supermarket census (by store type)



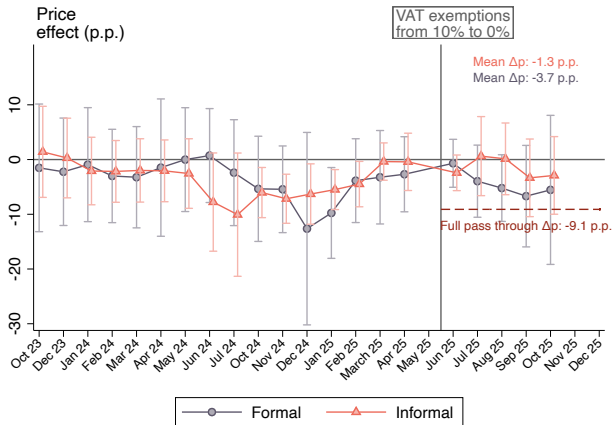
# Pass-through based on phone survey



# Pass-through based on phone survey



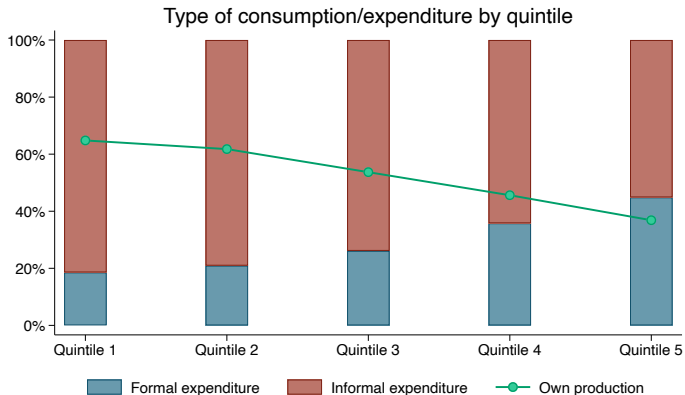
# Pass-through based on phone survey (by formal/informal)



# Presentation of Results

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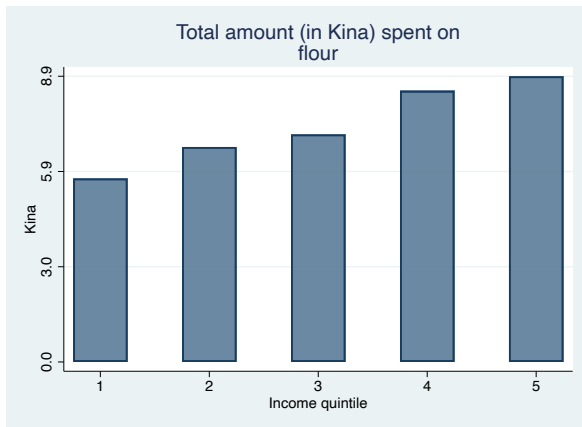
# Consumption patterns based on phone survey data



# Richer households were more likely to buy flour



# Richer households bought more flour on average

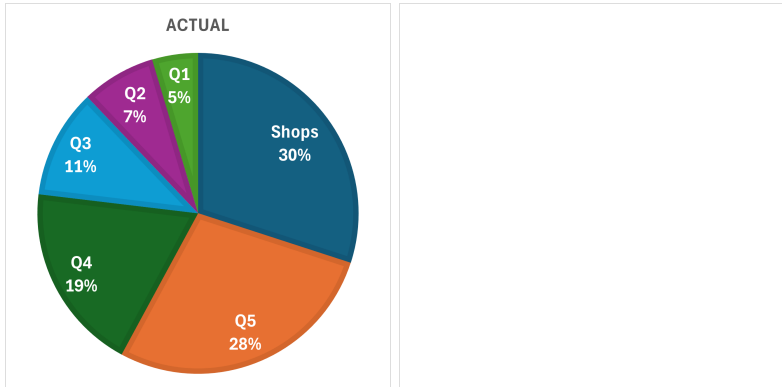


- ▶ Examine the Pass-through of GST Exemptions based on:
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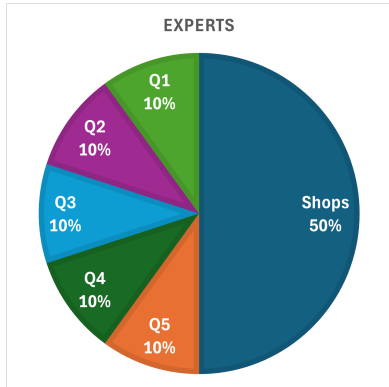
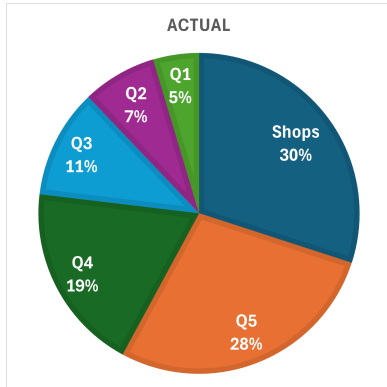
# Summary of results

- ▶ Formal supermarkets in Port Moresby that are very close to competitors effectively pass on the entire tax cut to consumers
- ▶ There is lower, but still substantial, price reductions in other formal supermarkets in Port Moresby
- ▶ No evidence of any price reductions in informal stores
- ▶ Higher-income households and/or those in urban areas were the main beneficiaries of this tax reform

# Who benefited from the US\$100 million tax cut in PNG?



# Who benefited from the US\$100 million tax cut in PNG?



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- ▶ This policy dramatically reduced revenue and primarily benefited high-income households in urban areas
- ▶ Adjustments could be made to the current policy, such as only exempting the most basic items and increasing enforcement
- ▶ Alternative policies, such as social protection programs, would likely be far more effective at assisting poorer households

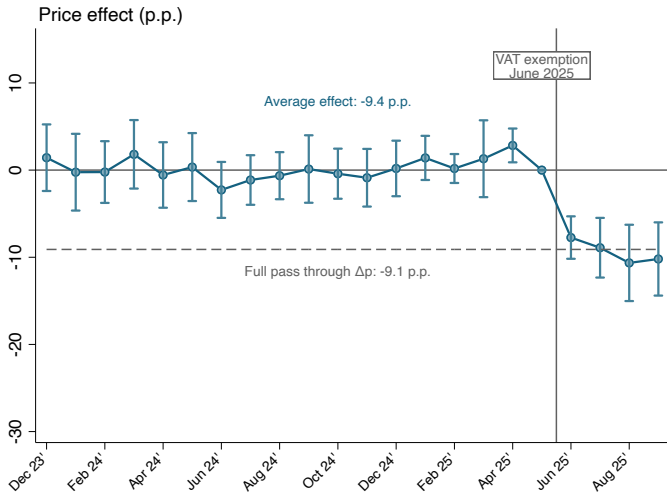
# Thank you for your time

- ▶ Please reach out if you have questions or comments
- ▶ [christopher.hoy@unimelb.edu.au](mailto:christopher.hoy@unimelb.edu.au)

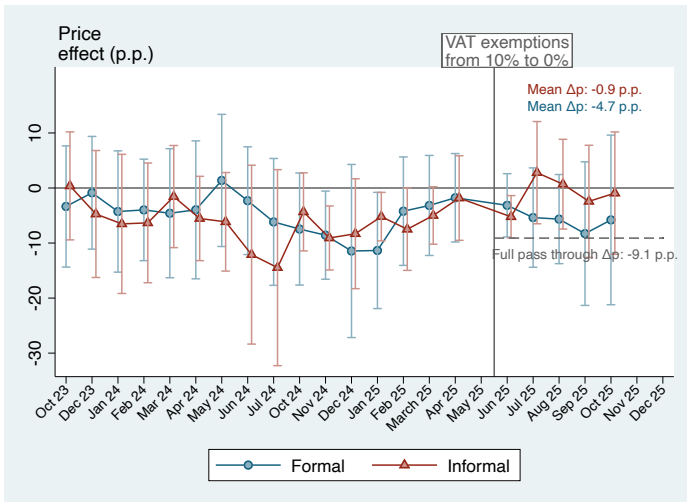
- ▶ Fiscal policies reduce the welfare of poor households on net in lower-income countries, mainly due to GST (WorldBank, 2022)
- ▶ To minimize this burden, all governments use GST exemptions (e.g., eliminating tax on basic food) (GTED, 2025)
- ▶ There is little to no evidence about how much GST exemptions actually benefit consumers in these settings (Benzarti, 2024)
  - ▶ Cross-country simulations from survey data suggests GST exemptions are possibly regressive (Bachas et al. 2024)
  - ▶ Evidence from Argentina shows that stores do not fully pass through GST exemptions to consumers (Benzarti et al. 2025)

- ▶ We explore this question in Papua New Guinea, which shares many characteristics with other lower-income countries:
  - ▶ GNI per capita of USD2,940 in 2024, with the highest levels of monetary and multidimensional poverty outside of Africa
  - ▶ Very high levels of informality, with most of the over 10 million population primarily relying on subsistence agriculture
  - ▶ There is one major economic urban center, Port Moresby, where the vast majority of GST is collected
  - ▶ Outside of Port Moresby, there are relatively few supermarkets that are part of an established supply chain

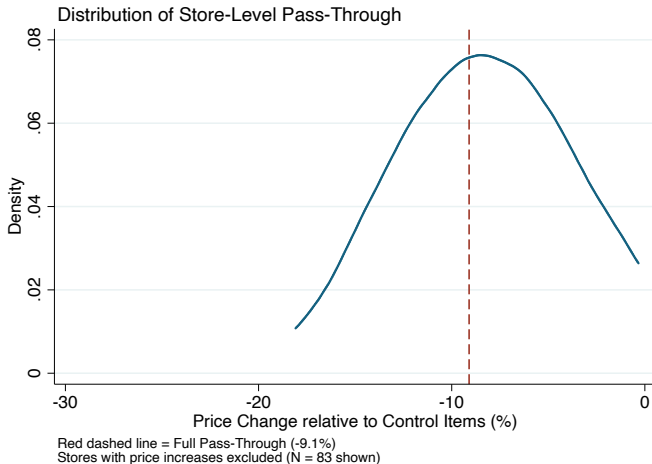
# Pass-through based on administrative data (NSO)



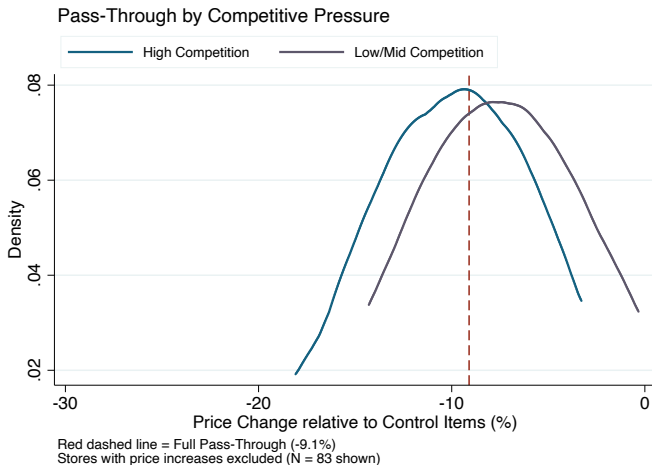
# Pass-through based on phone survey store type in urban



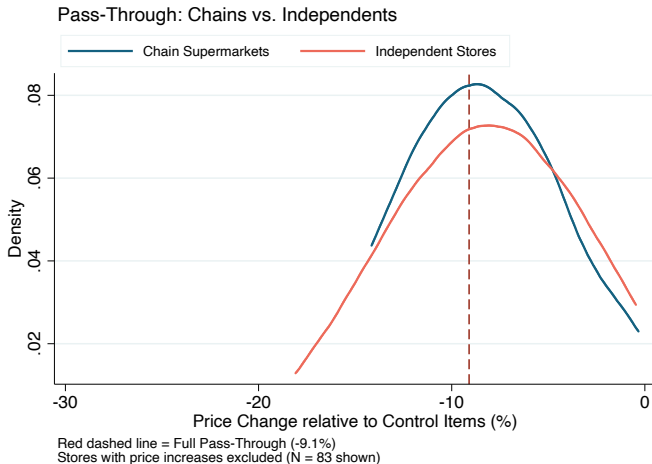
# Distribution of stores



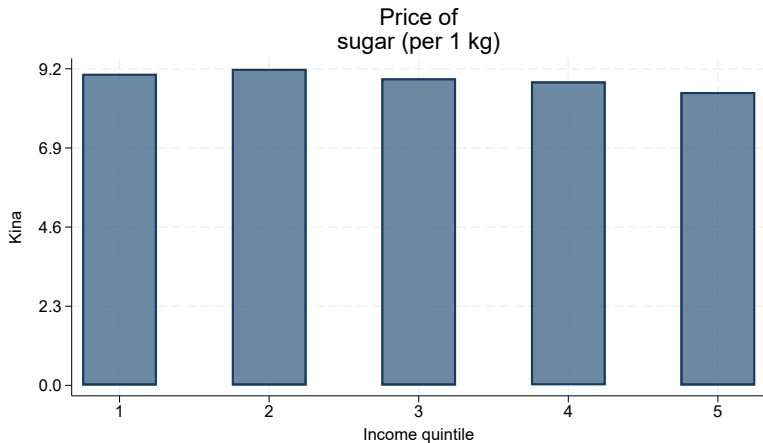
# Distribution of stores (by proximity)



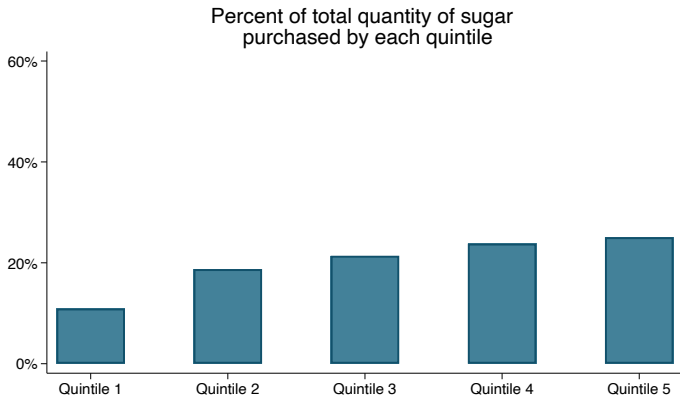
# Distribution of stores (by chain vs independent)



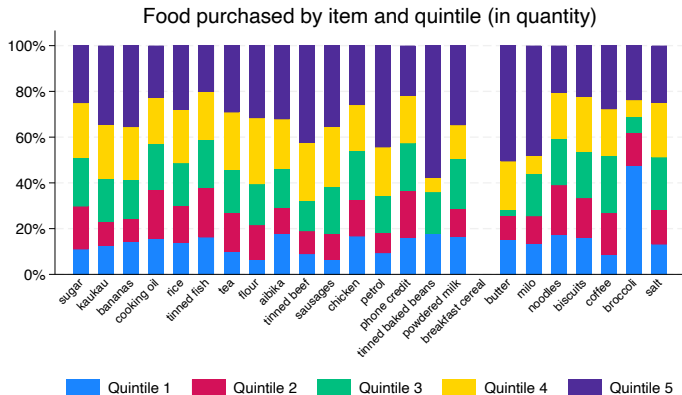
# Price by quintile: Example of sugar



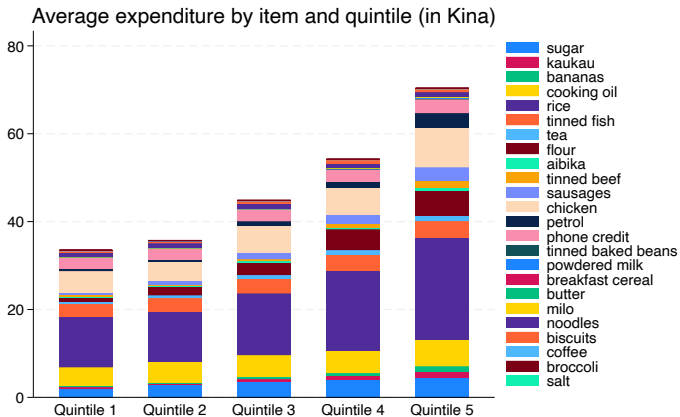
# Relative incidence: Example of sugar



# Relative incidence across all items



# Average expenditure across all items



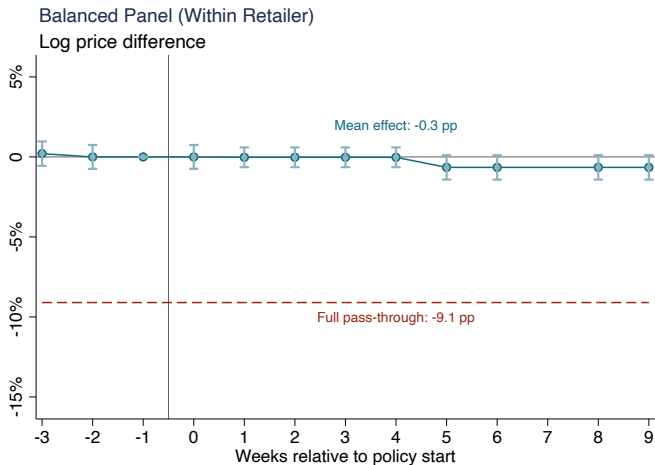
# Presentation of Results

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  - ▶ Administrative data from the central bank and NSO
  - ▶ Monthly census of all supermarkets in Port Moresby
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- ▶ Investigate the Incidence of GST Exemptions
- ▶ Discussion of Mechanisms
- ▶ Compare with Expert Predictions

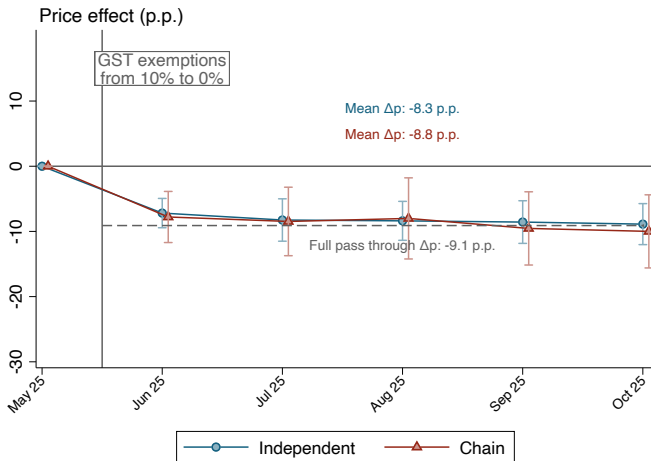
- ▶ Most likely explanation for the results is that competition between stores in urban areas led to high pass-through
- ▶ Limited monitoring and no fines issued for non-compliance
- ▶ No evidence of major supermarkets reducing online prices
- ▶ No evidence of differences between chain vs independent stores
- ▶ Limited differences between very basic vs quasi-luxury items
- ▶ No evidence of substitution away from non-exempt items



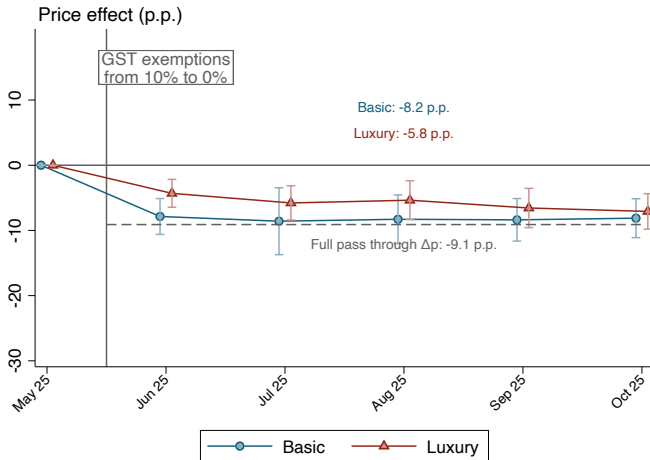
# Pass-through based on price from supermarket websites



# Pass-through based on supermarket census (chain vs indep.)



# Pass-through based on supermarket census (type of good)



# Presentation of Results

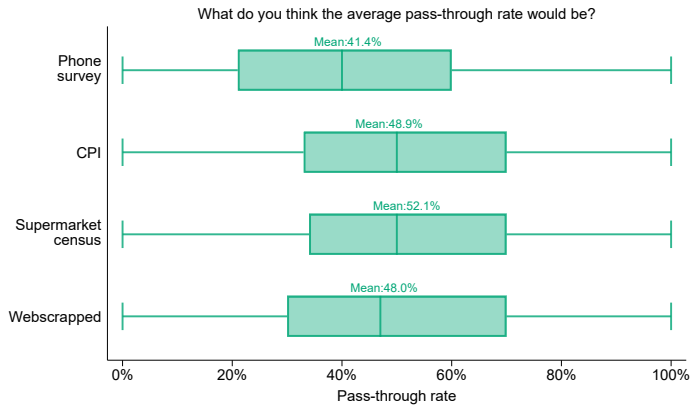
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# Characteristics of Experts

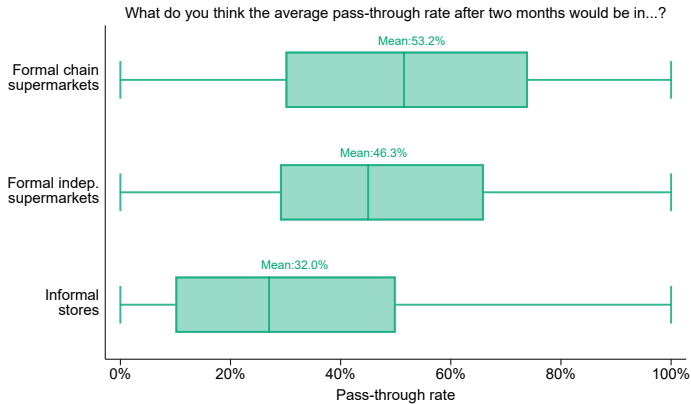
Table: Experts survey: summary statistics

	(1)
Finished (%)	73.84
Median duration (minutes)	8.97
Researcher (%)	62.44
Economics (%)	92.44
Research experience in:	
Public Finance (%)	52.54
Tax Incidence (%)	31.07
Development (%)	58.76
Industrial Organization (%)	16.38
Low-middle income countries (%)	62.15
Number of responses	237
Number of complete responses	175

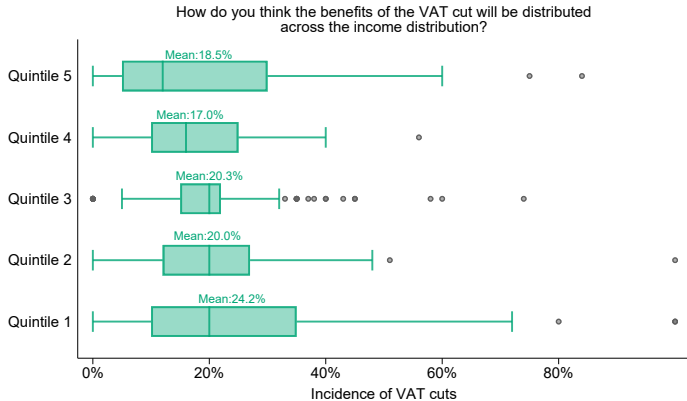
# Predicted variation in pass-through by data source



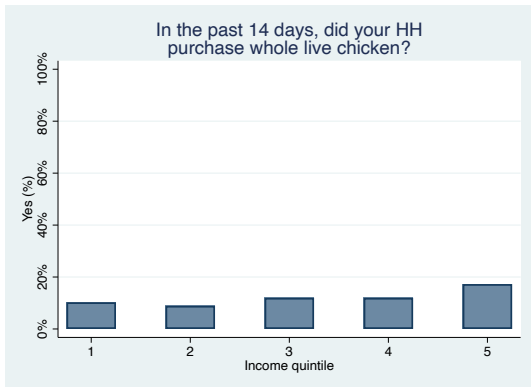
# Predicted variation in pass-through by store type



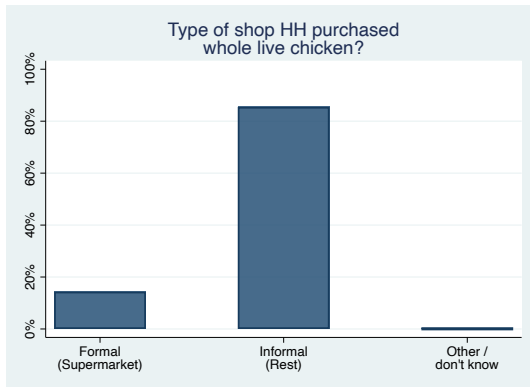
# Predicted variation in incidence



# Chicken example distribution



# Chicken example store type



# Chicken example prices

