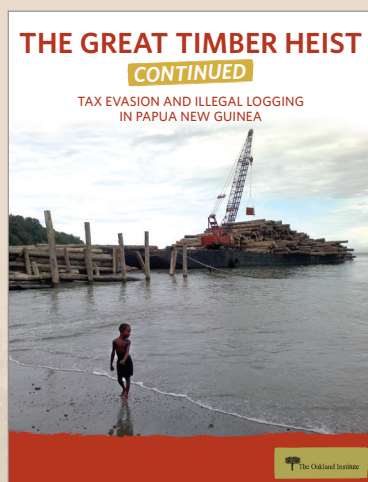




LOSING FORESTS, LOSING TAX MONEY

ILLEGAL LOGGING AND TAX EVASION IN PNG

New research reveals a considerable increase of illegal logging in PNG while also pointing to massive tax evasion by logging companies.



PNG IS NOW THE LARGEST EXPORTER OF TROPICAL TIMBER IN THE WORLD. Exports have doubled in ten years.

In just six years, **16 SUBSIDIARIES OF RIMBUNAN HIJAU HAVE INCREASED THEIR LOG EXPORTS BY OVER 40%.**

But **CLAIM TO HAVE DOUBLED THEIR LOSSES.**

Most logging companies claim they don't make any profit so **THEY DON'T PAY ANY INCOME TAX.**

TAX EVASION by loggers may **COST THE COUNTRY OVER US\$100 MILLION PER YEAR.**

THE NEW TAX REGIME introduced in 2017 to counter tax evasion, had a positive effect on tax revenue, increasing the log export tax by 4%, but **IS NOT ENOUGH TO CURB THE ILLEGAL LOGGING**, which continues to expand.

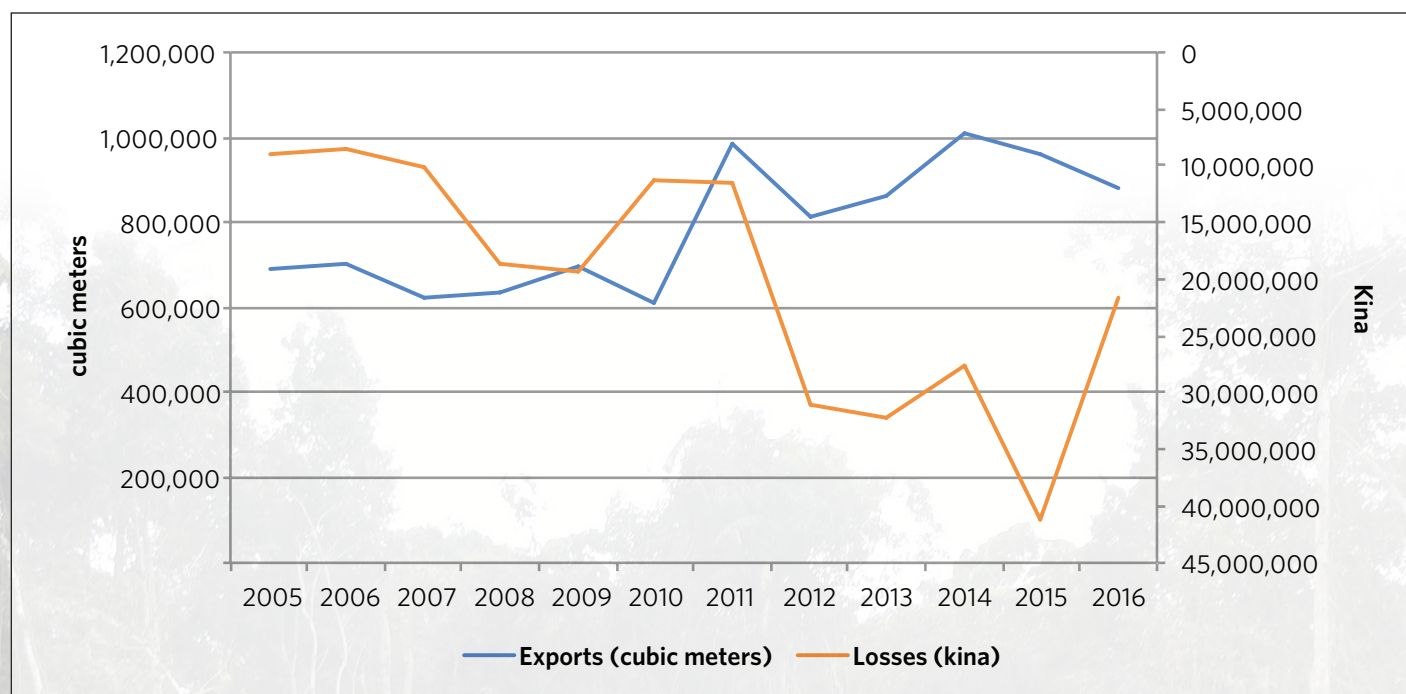
Currently, **1/3 OF PNG LAND IS UNDER FOREIGN CONTROL** through logging concession or SABL.

- The recent increase in log exports is largely due to illegally-granted Special Agriculture and Business Leases (SABLs), which added 5.5 million hectares (ha) to the ten million ha already under logging. Over **1/3 of PNG's 46 million ha of land is now in the hands of foreign — mostly logging and palm oil — firms.**
- While loggers and the Minister of Forests claim that logging contributes to the economy, **tax evasion in the sector may cost PNG over US\$100 million per year.**
- Year after year, **logging companies claim they don't make profit and therefore don't pay the 30% corporate profit tax.**
- **There are two ways to artificially minimize profits: undervaluing the price of logs** that are exported – PNG's export prices are around US\$100 less than what other exporters get – and **overvaluing operational expenses**, e.g. by overcharging sister companies of the same group for goods and services.
- Despite the government's promise in 2014 that all illegal SABL deals would be canceled, **to date no decisive action has been taken to stop illegal logging or return land to the people.**
- **The tax increase introduced in 2017** may be a step in the right direction to address tax evasion and increase economic benefits from logging operations; however, it is not enough to significantly curb the illegal logging operations, which continue to expand.

RIMBUNAN HIJAU: LARGEST LOGGER AND WORST TAX EVADER?

- Most of the Rimbunan Hijau (RH) subsidiaries involved in logging declare losses from their operations in PNG. The more timber they harvest and export, the more losses they report.
- RH subsidiaries have accumulated a huge amount of tax credit – over US\$60 million – that they can carry forward for 20 years. **With this cushion, it is unlikely that these firms will ever pay any income tax in the future.**
- Most holding companies of RH logging subsidiaries are located in tax havens, primarily the British Virgin Islands, known for facilitating illicit financial flows, including tax avoidance.

Volume Exported and Declared Financial Losses of 16 RH Subsidiaries Involved in Logging



WHAT WILL IT TAKE TO STOP PNG'S GREAT TIMBER HEIST?

- Cancel all illegal SABLs and return the land back to its rightful owners
- Stop all illegal logging operations and compensate land owners
- Take legal action against companies and individuals implicated in the wrongful issuance of the SABLs and logging concessions
- Investigate RH and other potentially tax evading logging firms, prosecute all those found to be evading taxes, recoup the lost revenues, and terminate their licenses
- Determine a new development path for the country that moves away from the extraction and destruction of PNG's natural resources

READ THE REPORT:

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