



Papua New Guinea

Tax Alert #6



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Have something to contribute? E-mail us at DTTTaxPG@deloitte.com.pg



Your spot on the **green dot**



Register with My IRC Portal

The IRC is encouraging all taxpayers and public to register on the MyIRC Online Service Platform.

The MyIRC is an online service that will enable the following functions listed below that were previously only available at the IRC lodgement counter. At the moment, the MyIRC has enabled some payment forms to be done online, including credit cards. We understand available payment forms will be expanded. Functionality is expected to increase in the near term, including:

• Lodgements

Taxpayers will be able to make lodgements online for any particular size of the document, significantly reducing physical counter lodgements and improving workflows

• Tax Agents Management Accounts

The platform will enable Tax Agents to manage their taxpayers online and make payments, lodgements on their behalf as authorized Tax Agents. While many tax agents are not able to handle client monies, including Deloitte, the ability to link a taxpayer's account to their tax agent will be a useful tool to assist tax agents monitor client tax records and compliance

• TIN validity look up

TIN's will be able to be verified online as active or inactive depending on their validity

IRC 2022 Mid-Year Performance

The IRC released its 2022 Mid-Year Performance on 06 July 2022 announcing it had exceeded half-year projections by K1.25 Billion despite the economy being negatively affected by factors such as the Covid19 pandemic and the Ukraine-Russia War.

• Tax Revenue Performance

The IRC was expected to collect K10,509 million, which is 9.5% (K913m) higher than the actual revenue collection from the last

• Certificate of Compliance (COC) Look Up

COC's can be verified online by paying authorities who have confirmed their identities, and this will significantly reduce COC fraud

• MyIRC Online Support Centre

Taxpayers, Tax Agents, and registered account holders will now be able to access the support centre and communicate directly with IRC officers for tax-related and general inquiries

In the coming months/years IRC also aims to look into other services such as the online applications for TINs, etc.

These services will constantly be evolving to meet the needs of the tax administration and taxpayers even post-launch as the IRC strive to ensure that this system fully meets the taxpayers' needs and is internationally asymmetrical with best practices and security accreditation. These services will be soon rolling out with fully enabled service platform available for taxpayers.

You can sign up to the MyIRC portal as a Company, Individual or Partnership via the below link. Please note that there is a verification process when registering.

<https://irc.gov.pg/register>

financial year. The collections for the first six months of this year were projected to be around K4,690 million, factoring in two of the three provisional taxes to be collected in the year's second half. The total Tax Revenue collected for the 1st half of 2022 is K5.945 billion. This is K1.28 billion (21%) above the 2022 Projections and K2.28 billion (38%) above the 2021 corresponding period.

K Million

Tax type	2022	2022 Projected	Difference		2021	Difference	
Personal Income Tax	1,762	1,758	4	0%	1,566	196	11%
Corporate Income Tax	643	618	25	4%	531	112	17%
Mining & Petroleum Tax	1,217	238	979	80%	134	1,083	89%
All withholding taxes	816	370	446	55%	267	549	67%
GST inland	957	1,016	-59	-6%	645	312	33%
GST import from Customs	569	683	-114	-20%	540	29	5%
Other taxes	5	7	-2	-40%	3	2	40%
TOTAL	5,969	4,690	1,279	21%	3,686	2,283	30%

- **Personal Income Taxes** comprising salary and wage withholding taxes (SWT), business income payments tax(BPT), and Individuals' income tax is currently tracking at K196 million (11%) above the 2021 corresponding period. The IRC reiterated collections have been boosted by the switching off of unverified GST credits against SWT, which started in September 2019. While not mentioned, the temporary increase in the tax free threshold for resident taxpayers will be expected to negatively impact SWT collections in the second half of 2022.
- **Corporate Income Taxes** comprising mining and petroleum tax (MPT) and Corporate income tax from the non-resources sector are tracking at K1.04 billion (42%) above the target of K856 million for the period ending 30th June 2022. CIT from the Resources sector has performed very well, particularly in the oil and gas sector given global fuel price rises.
- **Goods and Services Taxes** projections for 2022 were increased by K450 million (26%) based on IRCs initiatives to improve GST collections. Although GST is performing below this year's budget expectations due to the rise in prices of goods and services, the consumption tax is improving strongly against its corresponding period last year.

The further use of GST Section 65A notices is a recent IRC intervention to collect the GST component at the point of payment. The collections increased from K13m in the first six months of 2021 to K158.8m for the first six months of this year.

TINs Registered	Debts Collected	Audits
Total 12,687 TINs:	• K520.6m collected	• K52.2m raised
• 8,757 Individuals	• K127.5m offsets/ remissions	• K25.9m Collected
• 3,930 Enterprises		

The IRC also stated that it is lining up a few prosecutions on the grounds of tax evasion while also targeting other areas of consistent breaches.

• **Management Fee Withholding Tax**

The IRC also stated it presently maintains its position on the interpretation of tax treaties and the application of Management Fee Withholding Tax (MFWT). We understand this position is still undergoing discussion with the authorities of the four treaty countries impacted by the change in treaty interpretation.

• **Reducing the Burden of Compliance**

The IRC is working determinedly to reduce the burden of compliance in the areas of:

- Tax Law Reforms, including:
 - o Readiness to operationalise the Tax Administration Act in the 4th quarter of 2022
 - o Assisting with drafting of the new Income Tax Act to ensure a smooth transition in 2023
 - o Simplifying procedures and forms
- Small Business Tax rollout, with 1,565 individuals presently registered to participate in this regime; and
- Funding a potential reduction in the high rate of salary wages tax through increase collection measures.

• **Improving Organisational, Discipline, Agility, and Efficiency**

The IRC has introduced several strategic interventions to reshape the organisation so that its systems, processes and staff effectiveness. The IRC projects are centred around 7 pillars which include an emphasis on effective revenue collection, digital transformation and being a data driven organisation. Such projects include:

- Technological Infrastructure, including a new Integrated Tax Administration System (ITAS) and GST Monitoring system
- Implementing ICT Audit recommendations, Organisational Redesign
- Staff welfare & discipline
- Cost cutting measures
- Business Continuity Plan Regional Operations
- Extending taxpayer services to broaden the tax base

 **Tax concession for Election related expenses**

The IRC issued a public notice on 05 July 2022 stating there are two (2) tax concessions available for election related expenses under the Income Tax Act 1959.

1. Gifts to Candidates or Political Parties under S69 of the Act

Any business or individual who donates money or property, to a candidate or registered political party can claim the money or value of the property as an allowable deduction.

- If the donation is made to a political party, the money or property must be greater than K50.00 but not exceeding K500, 000.00 in any one calendar year.
- If the donation is made to a candidate, the money or property

must be greater than K50.00 but not exceeding K500, 000.00 in respect of any one election.

- If property is donated, it must have been purchased by the business or individual within the last 12 months immediately preceding the donation.

2. Election expenses of candidates under S96 of the Act

A tax deduction is allowed for expenses incurred (and able to be substantiated) by intending candidates seeking election to the National Parliament. Where any deduction claim is subsequently reimbursed or paid by another person then that amount should be included in assessable income.

Business Council of PNG opposes the Additional Company Tax and IRC Media Release

Following the announcement of the introduction of a Banking Levy and a Telecommunications Levy during the 2022 National Budget by the Government, the Business Council of PNG (BCPNG) raised their concerns in a Press Statement dated 17 June 2022 on the introduction of an Additional Company Tax in the banking and telecommunications sector. This tax has also been referred to as a market concentration levy and in the case of Digicel, an exit tax.

The BCPNG stated that there were no consultations done with the private sector, despite this sector being affected by the change. The BCPNG further mentioned that there is a negative perception of the Additional Company Tax throughout the private sector and recommended for a more vigorous consultation approach with government including:

- Progressive tax rates based on percentage of profitability should be considered, but should apply to all companies
- For GST to be removed from oil/fuel, or reduce the oil import excise to address the problem of high crude oil prices and the high cost of living expenses
- The Government to focus on real economic reforms through

proper processes and proper economic analysis, focusing on expanding the tax base by establishing business/investment friendly measures, in order to increase the Government's tax collection; and increasing its collection from the unorganised sectors which escape the net tax

- All or any tax reforms should be aimed at attracting investments such as the ones which create employment
- The Government to address and police those companies which attempt to defraud the State of PNG by failing to declare goods, declare lower values or use incorrect descriptions just to avoid taxes.

Separately, the IRC issued a media release on 24 July 2022 stating that Digicel have challenged the validity of the K350 million Additional Company Tax in the Supreme Court and the International Centre for Settlement of Investment Disputes. The Commissioner General of the IRC stated that "given the legal challenges and the potential implications this will create if the proceedings terminate in favour of Digicel PNG, we have created an escrow account at the Central Bank to hold the funds pending the outcome of the proceedings".

Constitutional and Law Reform Commission (CLRC): Review of Laws on Income Tax in PNG

The CLRC as part of their law review process, had consulted with the public to determine their views on the issues pertaining to personal income tax. The Commission has released a draft report summarising the views of the people, their findings, and recommendations on the issues relating to the income tax laws in PNG. A seminar was held on 24 June 2022 to examine the findings and recommendations in the Draft Report. A Final Report will be compiled and submitted to the Parliament. Major recommendations included:

- Reduce the tax levied on the salary of public servants, with a suggestion of three options:
 1. Remove Salary and Wages Tax (SWT) and increase of GST by at least 20%

2. Increase each SWT marginal tax rate threshold by 50% and reduce the marginal tax rate for each threshold by 50%
 3. Amend the definition of salary and wages to exclude all allowances so that employees can only be taxed on their base salary
- Repeal and replace the current Income Tax Act with a simplified and updated version
 - Remove taxation on superannuation and retirement benefits
 - Make a number of policy and administrative changes including working more closely with the Investment Promotion Authority to identify taxpayers and improving collection measures
 - Address inflation and restore the value of the country's currency.

The Pacific Region takes on Tax Compliance

Following a slow economic activities caused by the COVID-19 pandemic, the Pacific Island Nations Tax and Customs administrations have come together to improve tax compliance, as released in the media on 24 June 2022. The administrations have identified 'tax compliance' being a way to improve revenue collections.

Recently, Pacific Technical Assistance Center (PFTAC) have supported the Oceania Customs Organisation (OCO) and Pacific Islands Tax Administrators Association (PITAA) to train 77 officers

from Cook Islands, Federated States of Micronesia, Fiji, Niue, Republic of the Marshall Islands, Papua New Guinea, Palau, Samoa, Solomon Islands, Timor Leste, Tonga, Tuvalu, and Vanuatu. The training was aimed at strengthening the working relationship between compliance teams, specifically those that focus on Value Added tax (VAT), Customs Valuation Methodology, Post Clearance Audit, and compliance processes. Officers were trained specifically on improving the sharing of information to help the data collection process as well as detecting tax avoidance.

Immigration update–Renewal of Work Permit

As per Immigration Notice released on 29 June 2022 on the National Newspapers, training and upskilling of national staffs should be carried out by non-citizen staffs/organisations. Nationals are supposed to understudy and be able to perform on those positions as per the conditions set on the work permit under Section 15 of the Employment of Non-Citizens (Amendment) Act 2021.

As such, 3x requirements needed for Renewal of Work Permit Applications (for non-citizens) are:

1. **A letter** from the employer justifying why renewal of the particular position is required;
2. **A detail training report** from the company and non-citizen. The training report must identify training provided to its national employees, the skills acquired, skills gap, the dates of trainings, the facilitators or the institute providing training and the list of nationals undergoing training. The training report must be signed

and dated with company stamp by the Company Human Resource Managers or by the Managing Director where there are no HR Department in the organisation. The Training Report must be accompanied by the Succession Plan. Employer/non-citizen must identify the successor to the position;

3. The company or organisation's **organisational structure**. Employer must identify the number of non-citizens and nationals on the positions.

The ICA Authority understands that within certain industries that involve technical roles, it may take a longer period to train a national to be able to be competent and to replace non-citizen. The employer is encouraged to seek advice of the Authority in such cases.

Do not hesitate to reach out to our Immigration Team on dtimmigration@deloitte.com.pg for any clarification should you have any queries.

Reminders: Tax and Statutory Compliance

- Annual Returns with filing month in July are due by 31st July 2022;
- 31st July is the due date for 2022 Provisional Tax second instalment for (31 December year-end tax payers);
- Non-taxable returns for the 31 December 2021 under a Tax Agent Extension Listing are extended to be lodged by 31st July 2022.

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