



Papua New Guinea

Tax Alert

October 2020

In this issue

This month, we bring updates on the following:

- Country by Country Reporting
- Commissioner of Customs
- Transparency and Exchange of Information Report Card
- Commissioner General of the IRC
- Review of the Income tax Law in PNG
- PNG Immigration and Citizenship Authority (ICA) Updates
- Internationals Arriving into PNG must wear the GPS Ankle Bracelet
- SMEs and Taxes Updates – (FM100 talks about Tax with Sam Koim live on 8 October 2020)
- Internal Revenue Commission (IRC) Projects
- October Deadline Reminders

Country by Country Reporting (CbCR)

Under the OECD Base Erosion and Profit Shifting (BEPS) Action 13, all large multinational enterprises (MNEs) are required to prepare a CbCR with aggregate data on the global allocation of income, profit, taxes paid and economic activity among tax jurisdictions in which it operates. CbCR obligations are replicated in PNG's Income Tax Act. However, and as with previous years, the IRC has advised the local filing requirement for CbCR is still on hold until further instructions are issued.

Despite this, the notification to Commissioner General in a letter form is still required (section 200 of the Income Tax Act). This must be done before the last day of the MNE's "constituent entity" tax year, the default being 31 December. The constituent entity can include PNG permanent establishment of non-resident entities, even though they may not need to lodge a corporate income tax return.

If you would like further information on MNE Groups, who must lodge a notification and the details it should contain please contact us.

Commissioner of Customs

The National Newspaper has reported that the National Executive Council have appointed David Towe as the new Commissioner of Customs, replacing the outgoing Ray Paul. This is yet to be officially confirmed. David had previously served as a Deputy Commissioner at Customs, but is presently coming from a role as External Affairs Manager for British American Tobacco.

Transparency and Exchange of Information Report Card

The IRC has been declared as overall "largely compliant" with the requirements of the OECD led Global Forum on Transparency and Exchange of Information for Tax Purposes. The Global Forum refers to the multilateral framework within which work in the area of tax transparency and exchange of information is carried out by over 160 jurisdictions. Requests for exchange of information stem from PNG's tax treaty obligations (PNG has in force 10 tax treaties).

Under the Global Forum a peer review is carried out on implementation of exchange of information on request standards. Key recommendations included:

- Enacting laws to improve the availability of up-to-date beneficial ownership information on all relevant entities and arrangements beyond that just in the Anti Money Laundering (AML) legislation. In particular it was noted:
 - Beneficial ownership information would not be available for relevant entities and arrangements when they do not engage the services of an AML-obliged person.
 - PNG should ensure that the process of cleaning up the Companies Register is carried out to remove inactive companies in order to ensure that all existing companies in PNG have reliable and up-to-date legal and beneficial ownership information.
- Supervision and enforcement measures in respect of ensuring the availability of accounting records need to be expanded and strengthened by both – the Registrar of Companies as well as the IRC

- PNG should progress with signing the Convention on Mutual Administrative Assistance in Tax Matters
- IRC should better communicate with partners where it receives an exchange of information request, in the event of delays in responding. During the review period PNG had received requests from Australia, New Zealand and Indonesia.

Commissioner General of the IRC

Not to be outdone on the accolades, Sam Koim has been awarded an OBE in the Queen's Birthday Honours 2020.

Review of Income Tax Law in PNG

The Hon. Stephen Davis, LLB, MP has under Section 12(2) of the *Constitutional and Law Reform Commission Act 2004 (the Act)* directed for a review, enquiry and report under that Act to:

- Establish whether income tax levied on the salaries of public service employees in PNG is one of the highest in the world;
- Recommend to the government that reduction of tax levied on salaries of public service employees is necessary; and
- Pointing to the economic consequences if recommendations are implemented.

The Commission has 8 months from 14 October 2020 in which to respond. PNG Immigration and Citizenship Authority (ICA) Updates

The Commissioner has issued the following directions concerning the various visa conditions as stipulated by the Migration Act 1978 and enforced by the PNG Immigration and Citizenship Authority (ICA):

Visa types/ Classes, Fees and Penalties

1. Holders of Short Term Visa

The Short Term Entry Permits that were issued under the following visa types and classes nearing expiration or have expired are required to pay the applicable Migration Services Fee (MSF) to extend the visa. This will also include the late lodgement and over stayer fee:

- Tourist – Tour Package – Sixty (60) days
- Tourist – Own Itinerary – Sixty (60) days
- Visiting Relatives – Sixty (60) days
- Easy Visitor Permit (EVP) – Thirty (30) days
- Easy Visitor Permit (EVP) – Sixty (60) days
- Yachtsperson Owner – Sixty (60) days
- Yachtsperson Crew – Sixty (60) days
- Business Single – Thirty (30) days
- Restricted Employment Visa – Thirty (30) days
- Journalist and Reporter – Thirty (30) days

The request for a visa extension for non-citizens whose countries have opened borders for international travel will not be accepted and applicants will be directed to exit the country on or before their visa expires. Penalties will apply if there is a breach of this instruction.

2. Overseas Students

Foreign students and occupational trainees studying and training in the country on a short and long term basis are eligible to apply for an extension of their visa with a fee imposed.

3. Holders of Temporary Residential Visa

Non-citizens residing in the country under the Working Resident and Special Exemptions visa categories including the dependents are eligible to apply for an extension with a visa fee imposed. They are, however, not exempted from paying penalty fees if their visa expired, lodged late or have overstayed. Appropriate penalty fee will be applicable if and when a late lodgement or overstay occurs.

4. Foreign Missions and Posts

All diplomatic Missions and Posts in the country on diplomatic assignments and postings including their technical staffs are eligible to apply for an extension through Department of Foreign Affairs and International Trade (DFAIT) Protocol and are exempted from late lodgement and overstay penalties.

5. Change of Status (COS) in Country

Non-citizens who are temporary residents in the country and have not met the change of status requirements will be exempted from exiting the country and are eligible to apply for a new visa onshore. Non-citizens who are on short term visas and are intending to apply for change of status in the country will be given special consideration depending on the situation and on a case by case assessment.

The change of status applications will be facilitated in the country for the following visa classes:

- All classes of the Visitor Visa to a Dependent of Principle applicant who is working in the country
- All classes of the visitor visa who are 18 years and below to a Dependent of a Citizen who is residing in the country
- Single Business Visa to Working Residence Employment
- Restricted Employment Visa to Working Residence Employment
- Consultant Specialist Visa to Working Residence Employment

6. Visa Authority to Overseas Missions and Posts

All new visa authority transmitted to a PNG and Australia overseas Missions and Posts are to be issued based on sighting of the general medical report specially the COVID 19 certificate and police reports from the host country. Non-citizens traveling to Papua New Guinea are required to provide evidence of their visa and passport bio-data to the Office to the Controller for travel Approval to board a flight to Port Moresby, PNG. Passport validity must be 6 month or more.

7. Foreigners In Quarantine

Non-Citizens travelling to PNG on short term visas who are in quarantine for fourteen days (14) will be allowed to apply for a thirty days extension to compensate for the loss of days spent in the hotels. Extension fee will be applicable.

Non-citizens on short term visas whose borders are open for international travel are advised to exit and re evidence visa if they wish to return to the country.

Non-citizens on short-term visas whose borders are still closed for international travel will be extended indefinitely until further notice.

8. Circulation of this Notice

The Immigration and Citizenship Authority (ICA) and Department of Foreign Affairs and International Trade (DFAIT) will be the responsible agencies to inform the resident Diplomatic Corps and non-citizens in the country and as well as the PNG Diplomatic Missions and Posts overseas as these changes.

All enquiries based on this notice can be forwarded to the Immigration and Citizenship Authority on clientservice@immigration.gov.pg or dfait20@gmail.com for clarity and assistance.

A breach of this direction is an offence under Section 47 of the National Pandemic Act 2020 and offenders will be penalized and prosecuted under this law.

Working Resident – Consultant/Specialist Visa

Advice has been given from the PNG ICA that they are now issuing a short-term visa class called the “Working Resident – Consultant/Specialist Visa”. This visa category is available to consultants or specialist required to enter PNG to perform work over a period not exceeding three months or 90 days.

This visa does not require the applicant to obtain a Work Permit however it is not renewable. After utilizing this visa, if the sponsor or applicant decides to return to PNG for work purposes, he/she is required to apply for a proper Working Resident – Employment visa (this will require a long term work permit).

Please note however that this “new visa” category has not yet been formally gazetted or advertised to the general public so at this stage, applications are assessed on a case-to-case basis.

New Work Permit Fees from Department of Labour & Industrial Relations are not yet effective

There has been verbal advise given by the Department of Labour that at this stage the new fees are yet to be charged as the fees are currently under review by the government. Old fees are still applicable until advised by the government.

Description of fees/charges	Old fee	New fee
New (General) Work Permit Application – 1x year	K1,000	K2,500
New (General) Work Permit Application – 2x years	K2,000	K5,000
New (General) Work Permit Application – 3x years	K3,000	K7,500
New (General) Work Permit Application – 5x years GCC	K5,000	K12,500
New (General) Work Permit – 6months short term	K500	K750
Renewal (general) Work Permit – 1 year	K1,000	K4,500
Renewal (general) Work Permit – 2 years	K2,000	K7,000
Renewal (general) Work Permit – 3 years	K3,000	K9,500
Renewal (general) Work Permit – 5 years GCC	K5,000	12,500
Application for Bridging Work Permit	K100	K250
Change of Employer or Promotion ; Applying for Bridging & new work permit in country (Additional Fee)	-	K2,000
Late lodgement of Renewal of Work Permit Application within 7 days before expiring of current work permit (Additional Fee)	-	K1,000
Reprint of Work Permit Card/Letter	K100 (each)	K250 (each)
Express Process Fee	-	K300



Internationals Arriving into PNG must wear the GPS Ankle Bracelet

The Post Courier national newspaper has published on the 14 October 2020 that incoming international passengers will now be required to wear a Global Positioning System (GPS Ankle Bracelet) upon arrival for the duration of the quarantine period. This direction is effective as of 13 October 2020. The controller of the National Pandemic Response, David Manning, issued this directive on Monday 12 October 2020 for the compulsory GPS tracking ankle bracelets.

As a condition of entry into PNG and to effectively monitor designated charter flights that coordinate the arrival of large numbers of foreign workers in PNG at one time, incoming passengers will be required to be fitted with a GPS tracking ankle bracelet when they arrive for the designated quarantine period. The cost related to this will be borne to the passengers or companies for the period of quarantine.

By global standards the number of confirmed COVID-19 cases remains low at 537 and 7 deaths.

Small to Medium Enterprises (SMEs) and Taxes Updates

The commissioner of IRC, Sam Koim was interviewed by FM100 on the 8 October 2020. He had discussed matters around taxes on SMEs and projects to enable effective tax collections in PNG. Below are questions and responses discussed during the live interview.

Are SME's taxed?

SMEs are required by the law to pay taxes however there are different thresholds. SMEs will be treated as any other business required to file tax returns. "Marape government has introduce some level of relief and I'm calling it relief because there is a lot of misinformation out there that people think why are we taxing SMEs", says Mr. Koim.

Would the IRC have a database of how many SME's there are in the country?

IRC is working on a database for its taxpayers and are almost complete. For the past 2-3 months IRC has carried out a massive taxpayer survey project collecting information about the type of business, where they operate and under which TIN number. Also, each SME will be identified under its threshold.

- The government has established a "small business tax regime" to relief taxpayers. SMEs earning under K50,000 per annum are required to file a tax return and pay K400.

- SMEs earning less than K250 000 are required to file tax returns as follows; other taxes, SWT returns for its employees earning K12,500 per annum and CIT returns for business making a profit.

- If the SME does not cover any of the criteria above, they must file a declaration accordingly.

- IRC is working towards introducing effective collection mechanisms.

What taxes earn the most?

Currently, the taxes collected earning the most in the country is from the Salary and Wages Taxes collected from employees around PNG and the 3rd being Goods and Services tax. IRC is looking toward making GST the number one tax collected in PNG.

Internal Revenue Commission (IRC) Projects

IRC is continuing to work on the following projects:

- Simplify the IRC forms specifically to reduce compliance burdens
- Taxpayer services project is a project by the IRC to run a massive awareness on the value of paying taxes and to become a customer service oriented commission
- Initiating a joint project with IPA to align business structures
- Replacing SIGTAS system to a more effective and efficient tax system

Reminders

All Provisional Tax payments and/or variations for the year must be submitted before the due date of the final instalment on 31 October 2020. You can either submit these electronically/ by hand delivery/ mail/ courier to IRC –Port Moresby.

As companies which have a substituted accounting period (and who lodge through a tax agent) are now required to lodge returns within 4 months after their year end, companies with a 30 June 2020 year end must have their corporate income tax returns lodged by 30 October 2020. Requests for an extension may be granted (request required in writing), but extensions will be for a maximum period of one month only i.e. to 30 November 2020.

Papua New Guinea

For more details please contact your key Deloitte contacts or any of the following:

Leadership contacts



Andrew Harris

Partner

Tax and Business Services
Tel/Direct: +675 308 7010
andrewharris@deloitte.com.pg



Declan Mordaunt

Partner

Tax and Business Services
Tel/Direct: +675 308 7037
dmordaunt@deloitte.com.pg



Antonio Bernabe

Principal

Tax and Business Services
Tel/Direct: +675 308 7057
abernabe@deloitte.com.pg



Sanchika Sutharshan

Director

Tax and Business Services
Tel/Direct: +675 308 7160
ssutharshan@deloitte.com.pg



Maygen Turliu

Director

Tax and Business Services
Tel/Direct: +675 308 7017
mturliu@deloitte.com.pg

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively the "Deloitte Network") is, by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities. DTTL (also referred to as "Deloitte Global") and each of its member firms and their affiliated entities are legally separate and independent entities. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

About Deloitte

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms in more than 150 countries and territories serves four out of five Fortune Global 500® companies. Learn how Deloitte's approximately 286,000 people make an impact that matters at www.deloitte.com.

About Deloitte Asia Pacific

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities provide services in Australia, Brunei Darussalam, Cambodia, East Timor, Federated States of Micronesia, Guam, Indonesia, Japan, Laos, Malaysia, Mongolia, Myanmar, New Zealand, Palau, Papua New Guinea, Singapore, Thailand, The Marshall Islands, The Northern Mariana Islands, The People's Republic of China (incl. Hong Kong SAR and Macau SAR), The Philippines and Vietnam, in each of which operations are conducted by separate and independent legal entities. About Deloitte Asia Pacific

About Deloitte Australia

In Australia, the Deloitte Network member is the Australian partnership of Deloitte Touche Tohmatsu. As one of Australia's leading professional services firms, Deloitte Touche Tohmatsu and its affiliates provide audit, tax, consulting, and financial advisory services through approximately 8000 people across the country. Focused on the creation of value and growth, and known as an employer of choice for innovative human resources programs, we are dedicated to helping our clients and our people excel. For more information, please visit our web site at <https://www2.deloitte.com/au/en.html>.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte Network.

© 2020 Deloitte Touche Tohmatsu.

Designed by CoRe Creative Services. RITM0575636