



Papua New Guinea

Tax Alert

February 2022



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Have something to contribute? E-mail us at DTTtaxPG@deloitte.com.au



Introduction

Happy New Year

Welcome to the first issue of the Deloitte PNG Tax Insight for 2022! Every month, our tax team brings to you updates in the tax legislation, policy, practices and technical tax awareness that impact taxpayers every day.



Management Fee Withholding Tax

The IRC has responded in writing to concerns raised with their Public Notice on the application of management fee withholding tax (MFWT) and the outcomes under the Australian, Singaporean, New Zealand and Canadian tax treaties with respect to MFWT (see the October 2021 Tax Alert: <https://www2.deloitte.com/au/en/papua-new-guinea/pages/tax/articles/png-tax-alerts.html>).

The IRC response provides much more detail on the reasoning for their position as to the application of the tax treaties. While the IRC have essentially doubled down on their conclusions drawn in the Public Notice, they have encouraged recipients to respond to their letter and have suggested that action on MFWT will be deferred until recipients have had time to do so. They have also stated that the relevant competent authority (for income taxes) in the four affected countries will be notified of the IRC's position.

IRC Announcements

Goods and Services Tax (GST) on Government Contracts – Section 65A

The IRC issued a GST notice in relation to the Government Contracts on 24 January 2022. The notice served as another reminder to all contractors or suppliers of Government departments and agencies that these departments and agencies are not exempt from the Goods and Services Tax (GST).

The IRC noted all government contracts entered with a resident or a non-resident individual or company are fully taxable and that the State does not enter into tax exclusive contracts or net contracts. All service providers are also generally required to charge 10% GST on their supplies except for certain suppliers that are specifically exempted or zero rated under the Goods and Services Act 2003. Under the operation of section 65A, State agencies are required to withhold GST from the service providers and remit directly to the Internal Revenue Commission.

For further clarification, please do not hesitate to reach out to our key contacts stated below.

1. Taxation Status of Aid Donors and Projects

The Internal Revenue Commission has released a public notice on 22 February 2022 addressing misunderstandings with regards to Tax Exemptions applied to Aid Donors, Aid Projects and Aid Personnel.

Organisations, projects and individuals can only apply for Tax exemption upon having in possession the following:-

- Granted designated **Aid Status Certificate** by the Head of State, acting on Advice. To effect this, an **Aid Status Certificate** is signed and issued by the Minister for DFAIT;
- Where an organisation has been granted the above aid status, the Minister may grant persons engaged by or attached to the certified organisation, designated aid status.

For step b), the organisation with the Aid Status Certificate will have to apply the Project and individuals involved in the Project, to be granted Designated Aid Status Certificate. This granting of exemption will also be in form of a Certificate, signed by the Minister for DFAIT and must be supported by the Gazette of the individual's names, passport details, Project name and Project start and finish dates.

The IRC notice highlights that the process is not automatic,

and if you do not have in possession an Aid Status Certificate or Designated Aid Status Certificate and supported gazettal notices, then you are not exempt from any taxes and you must be compliant with all of your responsibilities under the Income Tax Act.

The IRC has advised it will be conducting compliance audits within the Aid Donor Community and have suggested if you form part of the Aid Donor Community, to review your compliance history.

If you require further clarification of this notice, please do not hesitate to reach out to any of our key contacts listed below.

2. Tax Criminals fraudulently evading billions to be hauled in from April

The Commissioner General for IRC, Mr. Sam Koim has announced in the media on 21 February 2022 that the Internal Revenue Commission is improving on its compliance activities and will be prosecuting tax crime offenders who are not compliant and are evading tax. The tax office will also be deregistering Taxpayer Identification Number (TIN) that have not been active. The IRC aims to complete the identification and deregistration of inactive taxpayers by April 2022. This exercise will also assist the IRC identify registered taxpayers who are operating but have not been complying.

3. IRC on a path of Transformation

The Internal Revenue Commission released on Monday, 21 February 2022 a brief update on the Internal Revenue Commission's 2021 performance and strategic focus for 2022. Despite the subdued economic conditions and the coronavirus pandemic challenge, the IRC managed to collect K9.596 billion in the year 2021, exceeding target by K375 million. Some of the notable contributing factors to the exceptional performance include:

- Increase in salary and wages tax of K360 million due to the switching off of unverified GST credit offsetting practices;
- Increase in Mining & Petroleum taxes of K421 million due to favourable increases in gas and mineral prices;
- Increase in GST of K120 million due to implementation of S65A;
- An extra K110 million in Debt Swap contribution; and

IRC Announcements (cont.)

- Increase in prescribed royalty withholding tax of by K5 million due to changes in the administration of payments.

The IRC Media release noted the key achievements of 2021 as follows:

- Configuration of GST section 65A into the Finance Department's Integrated Financial Management System (IFMS) system;
- First ever Government debt to taxpayer tax debt swap arrangement successfully facilitated;
- Signing of the Multilateral Convention on Mutual Administrative assistance in Tax Matters; and
- The launching of the new MyIRC website and online payment portal.

In 2022, the IRC will focus on raising a tax revenue projection of K10.509 billion to fund the National Budget, an increase of 16% from 2021 projections.

Some of main initiatives for 2022 will include:

- Design and Implement GST Monitoring System (GMS) – system to enable IRC to collect GST at the point of sale;
- Procurement and Installation of an Integrated Tax Administration System (ITAS);
- Rollout of GST Section 65A to subnational governments and major contracting companies;
- Design and implementation of the SWT collection at source;
- Quick Response (QR) Coding of all Tax Certificates;
- Implementation of new organisational design and structure;
- Industry Coding and Benchmarking;

- Building Data Analytics Capability;
- Improve Tax Payer Identification process;
- Tax Crime Investigation and Prosecution; and
- Continuation of all other effective collection measures.

4. Tax Compliant Companies to Participate In State Contracts

On 4 February 2022 a memorandum of understanding (MOU) was signed by the Internal Revenue Commission and the National Procurement Commission (NPC). The MOU is a shared initiative by both state agencies to boost revenue collection through improved tax compliance measures. The key measure is to ensure that the PNG Government only contracts with tax compliant businesses.

The NPC has taken steps to vet some of the bids including the referral of questionable Certificate of Compliance (CoC) cases to the IRC. As of 31 January 2022, NPC has issued a Circular stating that it is a mandatory requirement for all Companies tendering for State contracts to be tax compliant, including having a valid Tax Identification Number (TIN) and providing a valid CoC. Large Project Companies have been informed by NPC that they will not be considered for a State Tender if they are not tax compliant including having outstanding taxes. To assist, the IRC has noted that there will be a CoC lookup feature that will be provided on the MyIRC online platform soon. The IRC is working on a QR Coding project for self-validation of CoCs using a mobile phone App.

Finally, the MOU also covers NPC's obligations under the GST section 65A Notice for payment of GST on State Contracts directly to the IRC. The Commissioner General of the IRC noted that the section 65A project has resulted in a total revenue collection of K186 million to date.

2022 Tax and Statutory Compliance Calendar

Filing requirement	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Tax Compliance												
Monthly												
Salaries & Wages Tax (SWWT) – S2	7-Feb	7-Mar	7-Apr	9-May	7-Jun	7-Jul	8-Aug	7-Sep	7-Oct	7-Nov	7-Dec	9-Jan
Business Income Payments Tax (BPT) – P5	21-Feb	21-Mar	21-Apr	23-May	21-Jun	21-Jul	22-Aug	21-Sep	21-Oct	21-Nov	21-Dec	23-Jan
Prescribed Royalty Withholding Tax (PRWT) – PR1	21-Feb	21-Mar	21-Apr	23-May	21-Jun	21-Jul	22-Aug	21-Sep	21-Oct	21-Nov	21-Dec	23-Jan
Goods & Services Tax (GST) – G1	21-Feb	21-Mar	21-Apr	23-May	21-Jun	21-Jul	22-Aug	21-Sep	21-Oct	21-Nov	21-Dec	23-Jan
Foreign Contractor Withholding Tax (FCWT) – F1 – if required	21-Feb	21-Mar	21-Apr	23-May	21-Jun	21-Jul	22-Aug	21-Sep	21-Oct	21-Nov	21-Dec	23-Jan



2022 Tax and Statutory Compliance Calendar (cont.)

Filing requirement	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Dividend Withholding Tax (DWT) – D1 – if required	21-Feb	21-Mar	21-Apr	23-May	21-Jun	21-Jul	22-Aug	21-Sep	21-Oct	21-Nov	21-Dec	23-Jan
Interest Withholding Tax – (IWT) – Form I1 – if required	21-Feb	21-Mar	21-Apr	23-May	21-Jun	21-Jul	22-Aug	21-Sep	21-Oct	21-Nov	21-Dec	23-Jan
Management Fee Withholding Tax – (MFWT) -if required	21-Feb	21-Mar	21-Apr	23-May	21-Jun	21-Jul	22-Aug	21-Sep	21-Oct	21-Nov	21-Dec	23-Jan
Non-resident Royalty Withholding Tax (RWT) – R1 – if required	21-Feb	21-Mar	21-Apr	23-May	21-Jun	21-Jul	22-Aug	21-Sep	21-Oct	21-Nov	21-Dec	23-Jan
Non-resident Insurer Income Tax (NRIT) – NR1 – if required	Non- Resident Insurers ¹ (NRI)											
Annual/Periodic												
Statement of Earnings (SOE) – Employees – S1	28-Feb											
SWWT Tax reconciliation- IRC— S6	28-Feb											
SOE—IRC—S1	28-Feb											
PRWT Annual reconciliation—PR2	28-Feb											
BIPT Annual reconciliation—P8	28-Feb											
FCWT Annual reconciliation – F2	28-Feb											
Annual IWT/DWTMFWT/RWT Annual Reconciliation – Forms I2/D2/M2/R2	28-Feb											
Provisional Tax (Dec Year) ²				30-Apr			31-Jul			31-Oct		
Income Tax Return (ITR) – (2021 Dec Year) *	28-Feb											
Not for Profit Entities						30-Jun	31-Jul					
ITR with Tax Agent Extension—Taxable**						30-Jun						
ITR with Tax Agent Extension – non-taxable **							31-Jul					
Substitute Accounting Periods (SAP)	Due 4 months after year end & allowed 2 months extension of time—if listed on Tax Agents lodgement programme											
Payment IT Balance	30 days after issuing Notice of Assessment or earlier upon lodgement of the return if desired											
Country By Country Report (2022 Dec year end) – if required	Due 12 months after balance date											



2022 Tax and Statutory Compliance Calendar (cont.)

Filing requirement	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Statutory Compliance												
Annual Report of Reporting Entities – Dec Year					31-May							
Annual General Meeting						30-Jun						
Annual Return	During the month allocated by the Companies Office											
IPA bi-annual reports	Within 6 months of date of certification and every 6 months thereafter											

* Taxpayers that are not on the IRC Tax Agent extension programme

** Partnership and Individual tax returns due on same dates

*** Form CR1 – Application for transfer of a Credit from one period to the next, or from one tax account to another are due by the payment date (for the tax period date)

¹ The 2019 Budget stated that the NRI returns were to move to a payment basis of 21st day of the month following payment. However, this is yet to be legislated.

² The fixed instalment dates of April 30, July 31 and October 31 for the payment of provisional tax were replaced in the 2021 Budget in November 2020, with references to number of days from the beginning of the fiscal year. To ensure there was no clash with the 31 March due date for resource companies to provide estimates of their taxable income, whilst still catering for taxpayers with substituted accounting periods, new references of 120, 210 and 300 days were inserted.



Tax insights

Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations

On 20 January 2022, the OECD released the 2022 edition of the Transfer Pricing Guidelines for Multinational and Tax Administrations.

The previous edition of the transfer pricing (TP) guidelines was released in 2017. The 2022 edition consolidates the changes to the 2017 edition of the guidelines into a single publication.

Detailed information of the TP guidelines and changes can be found in the [OECD website](#).



Immigration Updates

REV Extensions

As per National Office of the Controller's Notice No.2 for International Travel Measures, effective 16 February 2022:

- No approval is required from National Office of the Controller for expatriates traveling into PNG who are fully vaccinated using one of the approved vaccines;
- All incoming passengers into PNG will need to do a covid19 test 72 hours prior to arrival into PNG;
- Quarantine is not required unless the incoming passenger tests positive on arrival at Jacksons International airport. Where quarantine is required, the incoming traveller will have to meet their own cost to quarantine at any of the approved hotels for quarantine.

PNG Immigration has advised via email (no formal notice put out yet as) that going forward there will not be any REV Extensions done, since they have now done away with quarantine requirements. Therefore, REVs will only be valid for 30 days and all REV holders must exit before or on the 30th day.

PNG Immigration have also advised that all expatriates who hold a PNG employment visa and have been offshore for more than 6 months, will need to reapply for their employment visa before traveling back to PNG as their visas have become invalid. This means they will need to also provide fresh new police report and medical reports for approval and issuance of visa to be in line with their current work permits. Feel free to contact our Deloitte Immigration Team, Arlene Kaiulo on email dtimmigration@deloitte.com.pg for assistance if required.

Reminders: Tax and Statutory Compliance

- 7 February is the due date for Salary & Wages Withholding Tax (SWT).
- 21 February is the due date for Goods and Services Tax (GST).
- 28 February is the due date for all Annual reconciliations – refer above tax calendar.
- Annual Returns with filing month in February are due by 28 February 2022.
- 28 February is the due date for all Annual reconciliations.
- Annual Returns with filing month in February are due by 28 February 2022.
- 7 March is the due date for Salary & Wages Withholding Tax (SWT).
- 21 March is the due date for Goods and Services Tax (GST).



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