



Papua New Guinea

Tax Alert

May 2022



In this Alert, we bring updates on the Temporary Tax Relief Measures and other changes recently endorsed by the Government of PNG.

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



Temporary tax relief measures

In light of the inflationary aspects of current global market conditions, the Government of PNG has passed temporary amendments to the following taxes:

1. Goods and Services Tax
2. Excise Tariff
3. Salary & Wage Tax

Goods and Services Tax (GST) – Temporary Exemption on Fuel

The Government has passed an amendment to the GST Act 2003 that temporarily exempts GST on sales of petrol, diesel, zoom and kerosene. The exemption is stated to be for fuel for the use of household and small and medium-sized businesses.

This temporary relief measure specifically excludes application to importation or supplies made for the sole use in carrying on the operations of following:

- Resource companies
- International Freight Operators
- Power Producers

The GST treatment of supplies made to the above three taxpayer groups should therefore not be altered by the temporary measures.

The effective dates for this amendment are from 1st May 2022 to 31st October 2022.

To support the changes, the IRC has released a Public Notice, entitled Temporary GST Exemption on Fuel. This Public Notice is available on the IRC website, or can be emailed to you by one of the Deloitte contacts listed below.

The Public Notice clarifies that the IRC interpret the temporary change as an outright exemption for GST on the supply of fuel which applies at the point of import and at the point of all domestic sales. The Public Notice also states that the exemption applies on the supply of fuel generally to the public at large, with the exception of the abovementioned three categories of taxpayers that are specifically excluded. This means all businesses apart from the 3 taxpayer groups listed are treated as small and medium sized businesses under the measures.

The effective date of the relief was 1st May 2022 and therefore the exemption should be applied from that date to sales or purchases of these fuel products made from 1st May 2022. The temporary measures do not apply to fuel stock that existed before this date. This leaves affected taxpayers with a burden of proof on substantiating their circumstances in order to claim any input tax credits around the transition time. Fuel suppliers will have to identify and apportion between the GST exempt sales and the GST taxable sales in order to recover the correct GST inputs monthly.

It is unfortunate that the temporary GST relief was not implemented by way of zero rating the supply of fuel. The exemption of GST on the fuel products means that taxpayers in the business of selling exempt fuel products will no longer be able to claim GST input costs on other (non-fuel) expenses incurred in order to get the fuel products to selling point, e.g. transportation, service station related expenses and other overheads. By making fuel exempt for GST, the GST input costs incurred on expenses relating to the selling of exempt fuel products become a non-recoverable cost to these taxpayers. Alternatively, zero rating the supply fuel would have allowed fuel suppliers to continue to claim GST incurred on their (non-fuel) expenses related to the supply of fuel.

Fuel suppliers now need to pass on this irrecoverable GST cost to consumers or incur a reduction in their own margin. We understand the ICCC are expecting the GST exemption to result in a full 10% reduction in fuel prices. This expectation would appear to be based on the outcomes from a zero rating of fuel, not an exemption.

Excise Tariff

Temporary amendments have been made to Schedule 1 of the Excise Tariff Act to remove the excise tariff imposed on the fuel products. The tax relief measure is applicable from 1st May 2022 to 31st October 2022.

Tariff Item	Product	Duty Rate during relief period	Duty rate from 1 November 2022	Unit
2710.19.10	Diesel	Free	K0.23	Per Litre
2710.12.10	Petrol	Free	K0.61	Per Litre
2710.19.90	Zoom	Free	K0.02	Per Litre

Salary or Wage Tax

The tax free threshold for resident taxpayers has been increased from K12,500 to K17,500. The new SWT rates are applicable from 1st June 2022 to 31st December 2022. Non-resident SWT rates remain the same. Below is a summary of the salary range that exceeds K900 per fortnight. The detailed SWT rates are below:

Tax Resident Rate Table (Where Declaration Lodged)		
Where fortnightly income exceeds	Tax Base	Tax Rate for every K1 in excess
900.00	58.38	30%
1,269.00	169.08	35%
2,692.00	667.13	40%
9,615.00	3,436.33	42%

(Equivalent) Annual Tax Residents Rate Table	
Where annual income exceeds	Marginal Tax Bracket Rate
Nil	0%
17,500	20%
20,000	30%
33,000	35%
70,000	40%
250,000	42%



Climate Change (Management)(Amendment) Act 2021

In February 2022, the Government signed off on amendments to the Climate Change (Management Act).

A key change in the Act is the power now given to Climate Change Development Authority (CCDA) to develop targets, programs, processes and controls for greenhouse gases emissions in all regulated sectors in PNG, including:

- Establishment of a Climate Resilience and Green Growth Trust Fund
- Raising levies, fees and charges on specified industries
- Allocating payments into and from the Trust Fund
- Incentives for the promotion of climate change initiatives
- Registration of verifiers and requirements of climate finance organisations
- Emissions mitigations requirements, fuel and climate building and infrastructure standards
- Relocation of at-risk communities and rights of customary landholder groups
- Establishment of an emissions trading scheme; and
- Regulation of carbon rights and ownership.

Reminders: Tax and Statutory Compliance

- 21st May is the due date for Goods and Services Tax (GST); and
- Annual Returns with filing month in May are due by 31st May 2022.

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



Sanchika Sutharshan

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



Declan Mordaunt

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



Maygen Turliu

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



Deloitte Touche Tohmatsu Limited

Deloitte Haus
Level 9, Macgregor Street
Port Moresby
Papua New Guinea

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