



Papua New Guinea

Tax Alert

Alert #2

In this Alert, we bring to you updates on the following:

- IRC Tax Agent Bulletin
- Changes incorporated in the latest draft of the Income Tax Act rewrite
- 2024 Pre-Budget Tax Policy Submission
- CoC Self-Validation App on Google Play Store
- IRC Leadership team
- IPA Re-registration and Visa Processing
- Reminders on Tax and Statutory Compliance

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




IRC Tax Agent Bulletin

A notice was issued in the National Gazette No: G7 of 2023 dated 05 January, 2023, advising who is required to lodge returns and when the returns must be lodged by.

The notice stated that all income tax returns for the year ended 31 December 2022 are required to be lodged by 28 February 2023, or such extended date allowed by the Commissioner General. In its Tax Agent Bulletin (No. 1 of 2023), the IRC office advised it had reviewed the lodgement program for tax agents to lodge income tax returns for taxpayers on their lodgement list. For the 31 December 2022 year this has been stretched as follows

Due Date	Percentage of Taxable Returns Required to be Lodged	Percentage of Non-Taxable Returns Required to be Lodged
By 30 April 2023	30%	20%
By 30 June 2023	60%	40%
By 31 August 2023	100%	75%
By 30 September 2023		100%

The same percentage applies to companies with a substituted accounting period:

Due Date	Percentage of Taxable Returns Required to be Lodged	Percentage of Non-Taxable Returns Required to be Lodged
By the end of the 4th Month	30%	20%
By the end of the 6th Month	60%	40%
By the end of the 8th Month	100%	75%
By the end of the 9th Month		100%

A number of other important items were flagged by the IRC:

1. All attachments to a tax return, including the P&L and Balance sheet must be signed or the return will be rejected;
2. Extensions beyond 30 April 2023 will not be granted if the return for the 31 December 2021 year was not lodged prior to 31 December 2022. In addition, a separate lodgement list for late lodgers/payers is required together with reasons why the returns could not be lodged;
3. Extension, including further extensions, will not be granted beyond 31 August 2023 unless provisional tax payments are up to date;
4. Extensions, including further extension, will not be allowed if any tax arrears or outstanding tax matters have not been settled or an arrangement to settle has been entered into;
5. All partnership returns must be lodged by 31 August 2023, as well as companies with taxable income above K100,000;
6. The first round of tax agent lodgement lists is due 10 April 2023; and
7. The foreign currency exchange rates for the 2022 years as follows:

2022	USD	AUD	NZD	GBP	JPY	EUR	CAD	SGD	CNY	IDR	MYR
Jan - Jun	0.2843	0.3950	0.4285	0.2189	34.9320	0.2600	0.3614	0.3878	1.8416	4,054.56	1.2139
Jul - Dec	0.2840	0.4237	0.4670	0.2417	39.6822	0.2801	0.3778	0.3953	1.9816	4,268.55	1.2853
Full year	0.2841	0.4095	0.4479	0.2304	37.3266	0.2701	0.3679	0.3916	1.9122	4,162.43	1.2499



Income Tax Act Rewrite

The latest version (Version 10) of the Income Tax Act has been released, incorporating a number of recommendations from the last workshop with Treasury. The changes include:

- The commencement date is proposed as 1 January 2024. For taxes imposed by reference to a fiscal year, it will apply to years commencing from that date.
- There is now no separate commencement date for the capital gains tax provisions.
- Long-term leases have been taken out of the capital allowance regime (where they were amortised over their life as a business intangible). The finance lease rules remain unchanged. Long-term leases not being finance leases will now be treated as per the general deduction provisions.
- The definition of royalty has been broadened to cover the use of, or right to use, any computer software, or the acquisition of any copy of computer software for the purposes of using it.
- The definition of permanent establishment regarding the substantial equipment is now referenced to periods aggregating to more than 183 days in any 12 month period.
- PNG sourced income has been expanded to include any income that PNG can tax under a tax treaty.
- The 2% limitation for deductions for management/technical fees has been removed. The application of technical fee withholding tax is now not restricted to deductible technical fees. Note that technical fees paid to associate are still subject to transfer pricing rules.
- Eligibility for the concessional rules for redundancy schemes has been broadened with the minimum required redundancies falling from 30 to 10 persons.
- It is clarified, where otherwise an allowable deduction, the gross amount is an allowable deduction, not the net amount after the deduction of withholding tax.
- The limitation for the deduction of repair of assets depreciated on a straight line basis is now based on cost and not written down value.
- The Regulations will provide rules on substantiation requirements to be met before a foreign exchange loss may be deducted.
- Transfer pricing and country by country reporting documentation requirements (to be covered by the Regulations), has been moved to its own section.
- A “tax haven” is defined as a country with a corporate tax rate of below 15% (previously it was an effective tax rate of below this amount)
- Amalgamations are to be dealt with in Regulations.
- The definition of “exploration information” has been expanded.
- Mining and petroleum project definitions are expanded to cover exploration and development operations.
- Deductible project expenditure for the purposes of additional profits tax is clarified to specifically mention capital gains tax.
- Landowner resource trust now includes a reference to the trustee of a landowner resources trust acting in that capacity.
- Employer superannuation contribution is reworded to state the contribution must be borne by the employer for the employer to claim a deduction.
- It is now clarified that a member can, in accordance with the Regulations, move lump-sum superannuation entitlements to either the same superfund or another superfund without triggering income tax.
- To accommodate existing concessions, primary production immediate deductions are expanded to plant and equipment used solely in agricultural production and fishing vessels including ancillary equipment used in fishing operations.
- Infrastructure tax credit has been changed to 2% and the timing of deduction clarified. The details of the approval process will be covered in Regulations.
- The test of whether an individual is an employee verse independent contractor will now be based on a “substantially satisfied” test, which allows a weighing of factors.
- The business payment withholding tax rules have been amended.
- Transitional and savings rules have been amended:
 - For assets depreciated at a rate in Schedule 4, the starting base is clarified to be the written down value as determined under the existing Act.
 - The repealed Act keeps applying to finance leases entered into before the new Act’s commencement.
 - The wording of “fiscal stability” has been amended.
 - Transitional rules for resource projects has still not been provided, and is to be addressed in Regulations.
- Taxation rate for a non-approved superannuation fund now stated as 30%.
- The cap in housing cost for first homeowner concession is increased to K700,000.

Please contact us if you have any questions on the changes or would like a copy of the latest version of the new Act.



2024 Pre-Budget Tax Policy

The Department of Treasury released a media statement on 10 March 2023 welcoming tax policy submissions from the general public including community groups, private sectors and other non-governmental organisations on their view regarding priorities for the 2024 National Budget.

The department mentions that the tax submissions should be consistent with PNG's primary development framework such as the PNG Development Strategic Plan 2010-2030 and PNG Vision 2050, Medium Term Fiscal Strategy 2023-2027 and Medium Term Revenue Strategy 2023-2027.

The tax policy submissions is due by 28 April 2023.

If you have any matters you would like to be raised, please reach out to our key contacts listed below.



CoC Self-Validation App on Google Play Store

On 23 March 2023, the IRC launched its self-validation mobile phone application to authenticate Certificate of Compliances (CoC).

The CoC is a document issued by the IRC to taxpayers who enter into a contract in which eligible payments are expected to exceed K5,000/per annum.

Eligible income earners include Building and construction, including repairs, painting, fitting of built-in furniture and any other building or construction activity, Road transport of any goods or materials; Repair or maintenance of any motor vehicle or any motor vehicle component, including painting, panel beating etc.; Construction of any items of joinery which will become a fixture in any building and Provision of security services.

Due to the increase cases on CoC fraud over the years, the IRC has invested in the self-validation product as a corruption prevention measure.

The application named "Track Tru-IRC", is now available on Google Play Store. The CoC QR code solution will automate the authorization of the printed CoC from SIGTAS (Standard Integrated Tax Accounting System) and provide an effective and efficient avenue for the paying authorities to validate the CoC document on presentation.

The Commissioner General, Sam Koim urges taxpayers to keep their compliance up to date so that they will have no problem obtaining a CoC. CoC can only be autogenerated if the taxpayers' compliance status is current.

Contractors and paying authorities are urged to download the new App from Google Play Store and start using it to scan and validate CoCs.

IRC has also provided a CoC Lookup on their website for paying authorities and taxpayers to confirm the authenticity of CoCs, refer link [CoC lookup | myIRC](#)



IRC change of Leadership Team

On 24 March 2023, the Commissioner General, Sam Koim announced some key leadership changes as part of IRC's ongoing efforts to improve its operations and better serve our taxpayers.

The new business divisions were created to better align IRC's operations with the evolving needs of its taxpayers with the aim of making a positive impact.

With the anticipation of challenges of this new change, the IRC believes that it is necessary to ensure it continues to succeed and grow as a Revenue Agency. IRC promises to do its best to ensure the transition is smooth, and it encourages taxpayers to bear with this process for the next few months.

The leadership changes to each business wing are as follows :-

Business wing/division	Assistant commissioner
Divisions reporting directly to Commissioner General Mr Sam Koim, OBE	
1 Governance and Reform Division	Ms Jennifer Jonathan (Acting)
2 Internal Audit & Integrity Division	Mr. Teko Naomy
3 Tax Intelligence Division	Mr Hiyemute Waine (Acting)
4 Tax Crime Division	Mr Kelly Kaisa (Acting)
Tax Operations And Corporate Support Business Wing Commissioner Ms Pauline Bre	
The divisions under this business wing will perform functions aligned to the corporate support and operational delivery of tax administration.	
5 Finance and Accounting Division	Mr Petereric Andrew
6 Information and Communication Technology Division	Mr Walo Ilaupa
7 Human Resources Division	Mr Jack Igar
8 Facilities and Office Management Division	Mr Paul Mageu (Acting)
9 Regional Operations Division – Operations	Mr John Rave
10 Services and Processing Division – Operations	Mr John Rave
11 Debt Collection Division – Operations	Mr Dollarcruise Potjepat (Acting)
Tax Compliance, Advising And Services Business Wing Commissioner Mr Sam Loi	
The divisions under this business wing will perform functions aligned to the design and monitoring of our strategies and policies that will be delivered by our operational teams to the taxpayers and our stakeholders.	
12 Debt Strategy and Policy Division – HQ	Mr Patrick Urum
13 Compliance Risk Management Division – HQ	Ms Katie Picture (Acting)
14 Audit Strategy and Policy Division – HQ	Commissioner of Tax, Mr. Sam Loi will take responsibility in the interim
15 Large Taxpayer Division – Operations	Ms Betty Duba
16 Legal Services Division – HQ	Mr Elijah Titus
17 Tax Advising Division – HQ	Ms Cecilia Magun
18 Taxpayer Services and Policy Division– HQ	Ms Ketty Masu
19 Tax Audit Division - Operations	Mr. Ranzolin Kalokalo (Acting)



IPA Re-registration and Visa Processing

The department of immigration has advised that it is requiring companies applying for visas to be re-registered with the IPA and provide the new IPA Certificate. This is despite the legislation not requiring re-registration with the IPA until 30 November 2023.

The data migration from the old legacy system for companies, business names and IPA foreign division (transitional updating) is now complete. While data has been migrated, past filings will be migrated in the next few weeks.

Many business names that have expired continue to show as "Not yet updated" on the IPA system. Business owners are given a grace period to renew their business names by 31 July 2023 otherwise they will be struck off on 1 August 2023.



Reminders: Tax and Statutory Compliance

- March 2023 GST return due on 21st of April 2023
- March 2023 SWT return due on 7th of April 2023
- Annual Returns with filing month in March are due by 31 March 2023
- First instalment of provisional tax due 28 April 2023

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

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