



## Papua New Guinea Tax Alert

Alert #3

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Have something to contribute? E-mail us at [DTTTaxPG@deloitte.com.pg](mailto:DTTTaxPG@deloitte.com.pg)





## International Monetary Fund – Country Report

The IMF Country Report No. 23/126 has been released. It references the intent of GoPNG on a number of fiscal issues with GoPNG highlighting to the IMF milestones that were achieved in 2022. This includes the Non-Tax Revenue Administration (NTRA) Act, which requires revenue-collecting government units to directly remit revenues collected under the Budget to the Consolidated Revenue Fund rather than transferring the funds after netting out costs. This is expected to contribute around a 0.3 pp increase in the revenue ratio.

The report also reveals that GoPNG has requested for IMF's technical assistance on improving the banking tax (while ensuring any changes at least maintain the revenue estimate for this tax). GoPNG also reaffirms its commitment to passing the new Income Tax Act in 2023 alongside the 2024 Budget, with implementation being from 1 January 2024. GoPNG notes that consultations on the existing draft with businesses have indicated greater certainty on the key changes to minimize disruptions to business operations. A policy paper on this is targeted to be brought before the NEC to decide by April 2023 and the preparation of the draft supported regulations in consultation with business and technical assistance by August 2023.

The new Medium Term Revenue Strategy (MTRS) is set to be introduced by end of August 2023 and the IMF have been requested by GoPNG to provide technical assistance to support its preparation and implementation. The new MTRS succeeds the previous MTRS that ended in 2022 and will guide revenue reforms through to 2027. It will also include inputs from GoPNG's revenue collecting authorities such as the IRC, Customs and Departments of Treasury and Finance.



## IRC Media Release - Major Business caught and penalised for Evading Tax

The IRC released a public notice on 22 March 2023 revealing a major taxpayer using Enterprise Resource Planning (ERP) and Accounting software package was found to be manipulating its GST declarations in claiming millions of Kinas of GST credits. The tax audit that was conducted on the taxpayer alleges the taxpayer was intentionally tampering its ERP systems for its benefit to evade tax by making untrue declarations to benefit itself from periods January 2016 to August 2019.

The IRC has stated it is adopting enhanced tools to detect taxpayers who fail to operate and maintain an ERP and Accounting software system within the PNG Tax Laws. In accordance to section 100 of the GST Act 2003, such taxpayers who default with intent to cause an unqualified refund will be penalised with additional tax liability up to 300% of the amount of the deficient tax.

The IRC reiterated making false and misleading declarations is a serious offence with a jail term of four years. The IRC will prosecute both the taxpayers and those who are solely responsible for manipulating the systems and making false declarations to the IRC to reduce their tax liability.



## IRC Forges Strategic Partnership with BSP

A Memorandum of Understanding (MoU) was signed between the Bank South Pacific and the IRC on 28th March 2023 at the IRC Headquarters. Mr. Sam Koim during the signing of the MoU made remarks that Banks are a 'strategic partner' of the tax office and a 'key gatekeeper' in the fight against tax evasion.

The MoU establishes a framework for cooperation and coordination between the tax administration and the bank. The MoU also sets out the expectations and responsibilities of each party and outlines the process for resolving any disputes or issues that may arise during the collaboration. Furthermore, it establishes guidelines for the parties involved to enhance the efficiency of the current procedures for compliance to statutory notices such as garnishee notices, notice requesting taxpayer information, and the newly introduced issuance of preservation of assets notices.

Additionally, the MoU provides means for sharing and securing information effectively, taking into account and protecting the privacy of both taxpayers and BSP customers. The protocol ensures prompt compliance and communication between the entities, avoiding any unnecessary delays or backlogs in the daily operations of both parties.

The CEO of BSP Financial Group Limited, Mr Mark Robinson, commented that BSP was the first national bank to sign an MoU with the country's tax authority and that it could be a template for other financial institutions in the country to follow and ensure there is smooth cooperation in terms of carrying out necessary legal processes and obligations that we as banks should.

The signing of MoU will enhance the IRC's detection capabilities for Tax Evasion and Tax Avoidance, including identification of unreported and underreported income.



## GST Exempted Housing & Motor Vehicle

- The supply of Housing or a Motor Vehicle to an employee by an employer for the purposes of employment is a GST exempt supply and the employer cannot claim GST input credits in its GST return/s lodged to the IRC.
- GST input credits cannot be claimed in relation to a taxable supply of a car or to import or rental of a car by a GST registered person or entity unless the person or entity is carrying on a business dealing with or hiring cars.
- Furthermore, GST on expenses that are disallowed for income tax purposes such as club subscriptions, domestic services and utility costs for employees, entertainment and expenses relating to leisure craft must be paid back (a deemed supply for GST purposes) to IRC. The date of supply is deemed to be the date that the income tax return is due for filing. Therefore GST must be repaid on the 21st day of the following month.

Note that the IRC has identified non-compliance in this area and has made it a key review area. If you are still in doubt or would like further clarification, please do not hesitate to reach out to any of our key Leadership Contacts below.



## Stamp Duty - Due on Assessment

The IRC has issued a reminder that Stamp duty in Papua New Guinea is payable on the transfer, agreement for sale, declaration of trust over, or grant of certain property. The amount of duty that is payable will depend on the type of property and its value.

### The IRC notes Stamp duty is payable for:

- Conveyances or Transfers on the Sale of Real Property
- Sales of apartments, etc, under company title
- Transfers of Marketable Securities
- Leases or Agreements for Leases of Land and Goods
- Deed of Gift
- Deed of Settlement
- Partitions or Divisions of Real Property
- Partitions or Divisions of the interest of lessees under leases of land in the Country
- Transfer and Assignment of Leases of Land in the Country
- Transfers of Mining and Petroleum interests
- Acquisition of Interests in Landholding Private Corporations
- Betting Tickets
- Lottery Tickets.

For more information on Stamp Duty, please do not hesitate to reach out to any of our Leadership Contacts provided below.



## Online Re-registration with PNG Register of Companies (ROC)

Now that the PNG IPA has completed its system data migration, companies are advised to re-register with the PNG Register of Companies. We have commenced online re-registration for our clients. Also note that all outstanding reports such as the Annual Returns and the IPA six monthly Terms and Conditions reports are to be lodged once the online Re-Registration is completed.

For more information, please reach out to our Statutory Team at [DTIStatpg@deloitte.com.pg](mailto:DTIStatpg@deloitte.com.pg)



## Reactivation of Short – Term Multiple Entry Business Visa

The Deputy Prime Minister and Minister for Labour & Immigration, Hon. John Rosso, MP, reactivated the multiple entry component of the Short Term Business Visa for eligible passport holders on Friday, 21st April 2023.

As a build on from a series of positive reforms led by the Minister and the Immigration and Citizenship Authority (ICA), Hon. Rosso said that Reactivation of the multiple entry component of the Short-Term Business Visa will aid the trade and investment in Papua New Guinea (PNG) as well as restoring international travel arrangements to pre-pandemic settings. The facilitation of business, trade and investment opportunities in PNG is a significant priority for ICA.

The Deputy Prime Minister also said that, as PNG is experiencing strong economic performance and growth through investment, the reactivation of the Short Term Multiple Entry Business Visa demonstrates ICA's commitment to support the Government's objectives through the facilitation of genuine business travel, giving confidence to potential investees to invest in our country.

The reactivation of the multiple entry component of the Short-Term Business Visa for eligible passport holders means that travellers intending to visit PNG for eligible short-term business activities, will be allowed to travel into PNG on multiple occasions within a period of 12 months for a maximum duration for each visit at 60 days. This visa product compliments the existing Single Entry Business Visa which has a duration of 30 days.

At present, the ICA is reviewing several visa categories with the aim to enhance the conditions to better meet the changing needs of travellers into PNG. Within scope for this review is a further improvement to be done to the Business Visa category which would see eligible business travellers provided with unlimited entry into PNG.

Minister Rosso also commented that eligible frequent business traveller to PNG can also apply for an APEC Business Travel Card which is an efficient option and allows travel to APEC countries for longer stays.

For more information on this matter, please contact our Immigration Team at [dtimmigration@deloitte.com.pg](mailto:dtimmigration@deloitte.com.pg).



## Reminders: Tax & Statutory Compliance

- April 2023 Salary & Wages Tax (SWT) return due on 8th May 2023 since 7th falls on a weekend.
- April 2023 Goods & Services Tax (GST) return is due on 22nd May 2023 since 21st falls on a weekend.
- April 2023 Small Business Payment Tax is due on 22nd May 2023 since 21st falls on a weekend;
- 2023 Provisional Tax 1st instalment is due on 01st May 2023 since 30th April falls on a weekend;
- April 2023 annual return is due on 01st May 2023 since 30th April falls on a weekend.

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

### Leadership contacts



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