



# Papua New Guinea Tax Alert

Alert #4



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

- Special Economic Zone (SEZ) Policy
- Income Tax Rewrite – new start date proposed
- IRC and Nasfund Sign MOU to Enhance Information Sharing
- Pacific Islands Tax Administrators Association Annual Heads Meeting
- New Act aims to raise K550m in revenue
- Change in the filing of Annual Returns and Government fees
- Reminders on Tax Compliance

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





## Special Economic Zone Policy

Papua New Guinea (PNG) is embarking on a major economic reform through the development of Special Economic Zones (SEZ). SEZs are to be implemented through the Special Economic Zones Development Program (SEZDP).

SEZs will be specific designated areas with its own administration or management. Benefits are offered to zone investors and the zone will have a separate customs area (duty free benefits).

The economic development goals of the Government in implementing SEZ's includes: to attract foreign and domestic direct investment; promote downstream processing for import substitution; increase competitiveness; expand and diversify the economic base; develop critical infrastructure; and promote employment and skills transfers. It aims to link in and action national policies including Connect PNG, Trade Policy and Responsible Sustainable Development.

The National Government has selected 22 potential SEZ sites. The proposed sites are all aligned to the economic corridors as captured and planned in the PNG Development Strategic Plan (2010-2030).

**Table 1.0: List of Potential Economic Zones**

No	Province	District	Type/Activity
1	East New Britain	All	Tourism
2	West New Britain	All	General
3	Autonomous Region of Bougainville	All	Agriculture, Border
4	National Capital District	All	General
5	Central	All	General
6	Oro	All	Tourism
7	Milne Bay	All	Tourism
8	Western	All	Agriculture, Fisheries, Border
9	Gulf	All	Industrial
10		Finchhafen	Industrial
11	Morobe	Markham District	Agriculture Park
12		Huon Gulf	Industrial
13	Madang	All	Marine, Industrial, Agriculture, Tourism
14	East Sepik	All	Agriculture
15	West Sepik	All	Agriculture, Log Processing, Border
16	Western Highlands	All	Agriculture and General
17	Jiwaka	All	Agriculture and General
18	Hela	All	Petroleum and General
19	Southern Highlands	All	Petroleum and General
20	Eastern Highlands	All	Petroleum and General

**Note:**

- Provinces shaded have sites selected by National Government as potential SEZ to pilot the SEZDP.
- Other provinces are also free to participate in the SEZDP.



## Baseline Tax Incentive

### i. 100% Exempted Taxes during Construction Phase

100% tax exemption is to be applied during the construction phase and is to include all forms of taxes and imposts except GST on local supplies sourced from the Domestic Territory.

### ii. 100% Exempted Taxes during Operations Phase

The following taxes are to be exempted for all types of SEZs:

- a. Goods and Service Tax on Imports.
- b. Customs duties (including export and import), tariffs, levies (including import levies) and other similar imposts.
- c. Excise Duty or other similar imposts.
- d. Stamp Duty and other similar imposts on loans, borrowings, securities and other forms of financing.

### iii. Corporate Income Tax (CIT) Incentive – Foreign Direct Investment (FDI)

CIT Incentives for FDI are to be applied as follows :

**Table 2.0: CIT Exemption Period for Foreign Direction Investment**

No	Level of Investment (USD)	100% CIT Exemption	50% CIT Exemption for Rural PNG (Years)
1	10 - 100M	5	+ 3
2	101 - 250M	8	+ 3
3	251 - 500M	10	+ 3
4	501M - 1000M	12	+ 3
5	1B - 10B	15	+ 3
6	10B+	20	+ 5

### iv. Other Taxes and Imposts Incentive - Foreign Direct Investment (FDI)

In addition to the CIT Incentive in Baseline iii. the following exemptions may apply:

- a. Business Income Withholding Tax
- b. Interest Withholding Tax
- c. Dividend Withholding Tax
- d. Royalty Withholding Tax
- e. Non-resident Insurer Withholding Tax
- f. Foreign Contractor Withholding Tax
- g. Management Fee Withholding Tax
- h. Salary and Wages Tax for all foreigners and locals
- i. Goods & Service Tax on Sale of Zone Goods
- j. Land Tax
- k. Land Rentals

We note that the OECD is leading the Base Erosion and Profit Shifting action plan to counter aggressive tax planning by large multinational organisations. This includes introducing global and domestic minimum tax. Given their nature SEZs can fall under the ambit of these OECD measures, given they can offer reduced tax rates and tax holidays. While this does not mean SEZs providing tax concessions cannot be used, it does mean offering reduced tax rates in PNG may simply end up in the foreign investor having to increase their tax to the minimum tax rate in their home country. This would result in PNG having lost tax revenue without any overall tax saving to the investor. The result is PNG needs to carefully consider the merits and type of SEZ tax concessions offered, whom they are offered to and their overall impact in the development of PNG.

Should you wish to gain further information on the SEZ, or would like a copy of the SEZ Policy, please do not hesitate to reach out to our key leadership contacts mentioned below.



## Income Tax Act Rewrite – proposed new start date

---

The Department of Treasury (Treasury) organised sessions with the Fiscal Affairs team of the International Monetary Fund (IMF) who were in country for the first two weeks of June. The purpose of the meeting was to discuss the tax policy and Medium Term Revenue Strategy, and obtain further feedback on the 10th version of the new Income Tax Act (new ITA).

The following items were discussed during the meeting with tax agents:

- Treasury informed us that they would treat these sessions as the last public consultation on the new ITA. For persons wishing to make any further comments, these should be submitted to Treasury as soon as possible.
- Treasury plans to submit the new ITA into the November 2023 Parliament sitting for the Government to endorse.
- Treasury informed us that the draft Regulations should be ready by August 2023. This would be circulated for comments.
- Treasury informed us that should the ITA get passed in Parliament in November 2023, there will be a transitioning period of 13 months given to taxpayers to help understand and familiarise themselves with the new ITA and its requirements.
- The effective start date of the new ITA is now proposed as 1 January 2025, though this is subject to a final decision from the National Executive Council.
- Questions were raised on other policies circulating that are presently not reflected in the provisions of the existing ITA nor the new ITA; e.g. SEZ Act and Policy, climate change measures. Treasury mentioned that they will continue to monitor this. Treasury also welcome comments from stakeholders on other policies affecting tax policy.



## IRC and Nasfund Sign MOU to Enhance Information Sharing

---

On 04 May 2023, a Memorandum of Understanding (MoU) was signed between Nasfund and IRC. The MoU is designed to allow both organisations to enhance information sharing capabilities, enable IRC to better comply with regulations and assess risks associated with salary packaging by employees through their employers.

Through this partnership, information sharing with the IRC will include:

- a list of names of registered employers with employees contributing to Nasfund;
- aggregate number of employees for each of the registered employers;
- list of contractors engaged by Nasfund; and
- amount of contribution received from each employer in a year and to specify:
  - the aggregate employee portion,
  - the aggregate employer portion, and
  - the aggregate voluntary portion (if any).

The IRC Commissioner General, Sam Koim stated during the signing of the MoU that the agreement is significant and will deliver benefits for both organisations. Mr Koim also stated that the agreement marks the first MoU between the IRC and an Approved Superannuation Fund.

The CEO of Nasfund, Mr Rajeev Sharma, commented that it is in Nasfund's best interest to partner with key stakeholders to ensure it remains compliant, relevant and competitive in the ever-changing business environment.



## Pacific Islands Tax Administrators Association Annual Heads Meeting

The Pacific Islands Tax Administrators Association (PITAA) Annual Heads Meeting is scheduled to run from 25th to 27th September 2023 in Mount Hagen, Western Highlands Province. This meeting will bring together heads of tax administrations from the Pacific and PITAA partners and stakeholders from across the globe for robust discussions and exchange of ideas on key tax issues impacting the region now and in the future.



## New Act aims to raise K550m in revenue

On 11 May 2023, Secretary for Finance, Dr Ken Ngangan announced that the Government anticipates collecting K550 million from the Non-Tax Revenue Administration Act (NTRA) to assist funding of the 2023 National Budget. NTRA was passed in Parliament in year 2022 during the presentation of the 2023 National Budget.

Dr Ngangan stated that the non-tax revenue (fees/charges) will play a vital role in generating revenue for the Government to fund the national budget of which will also enable the State to achieve other policy objectives. He also further mentioned that NTRA will serve as a financial control mechanism to ensure all non-tax revenues collected by public and statutory bodies are remitted into the Consolidated Revenue Fund (CRF).

It was noted several agency heads and representatives have raised concerns querying if this new reform will affect their organisations' current operations and financing. Dr Ngangan replied stating that NTRA provides an interim mechanism that will permit agencies to make submissions to the NTRA Committee to have funds paid back to them to fund their reasonable operating costs.



## Change in the filing of Annual Return & Government fees

Following the completion of the data migration to the new system, the IPA is currently focused on re-registration exercise for all companies. The IPA website states that the ongoing re-registration replaces the filing of 2022 annual return. Consequently, IPA will not accept lodgement of the 2022 annual return in the current year.

The PNG Registrar of Companies (ROC) has advised changes in the Government penalty fees for prior years outstanding annual returns as follows:

- PNG Companies – K500 per return
- Foreign Companies – K1,000 per return

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



## Reminders: Tax & Statutory Compliance

---

- May 2023 Salary & Wages Tax (SWT) return due on 7th June 2023.
- May 2023 Goods & Services Tax (GST) return is due on 21st June 2023.
- Other withholding taxes for May 2023 are due on 21st June 2023.

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](mailto:andrewharris@deloitte.com.pg)



**Sanchika Sutharshan**

Partner  
Tax and Business Services  
Tel/Direct: +675 308 7160  
[ssutharshan@deloitte.com.pg](mailto:ssutharshan@deloitte.com.pg)



**Declan Mordaunt**

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



**Maygen Turliu**

Director  
Tax and Business Services  
Tel/Direct: +675 308 7017  
[mturliu@deloitte.com.pg](mailto:mturliu@deloitte.com.pg)



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

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](http://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](http://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.

© 2023 Deloitte Touche Tohmatsu.

Designed by CoRe Creative Services. RITM1443737.