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Income Tax Act Rewrite

Treasury and the IRC have scheduled meetings on the 1st and 2nd of September 2022 to discuss the finalisation of the Income Tax Act rewrite.

The ninth draft of the Act has been released ahead of this, which contains a number of changes from the seventh draft version discussed in the workshop with Treasury in October 2021. Taxpayer submission points will need to be worked through and discussed to understand what has been addressed in the revisions and what was not agreed to.

We will provide a further update on the outcomes of the meeting.

Tax Agent Liaison Group meeting update

The Tax Agent Liaison Group (TALG) had a meeting at the APEC Haus on 10th August 2022. The meeting was for general taxpayer awareness on the tax compliance, tax obligations, taxpayer/IRC expectations, related tax administration issues, MyIRC portal and initiated projects IRC will roll out.

1. IRC projects

The IRC mentioned at the TALG meeting that some of the projects have been completed, others are at the infant stage while simultaneously looking at initiating some more projects. Some of these include:

- a. Integrated Tax Administration System (ITAS) – This has been resubmitted for tender. Once the tender process is completed and a vendor is approved by the new Government, the IRC anticipates the development of the system to be rolled out.
- b. Certificate of Compliance (trial month) – a Quick Response (QR) code will be embedded onto Certificate of Compliances (COCs) following fake COCs being fraudulently issued and used by taxpayers. The embedding of the QR code has been trialed in August 2022 on a few taxpayers under the Income Reporting System regime and upon successful completion, a similar approach will also follow onto the tax clearance certificates.
- c. Taxpayer services kit – The IRC mentioned that they will be issuing a taxpayer service kit soon. This is anticipated to contain guidelines of processes and overview of taxes to assist taxpayers.
- d. MyIRC portal:
 - The tax return lodgement function will be activated shortly, following completion of a trial period;
 - There are 2,000 users registered thus far;
 - The system can process approximately 9GB of data per day; and
 - There are over 100 IRC staff designated to administer MyIRC and related processes.

2. Some items discussed/raised include the following:

- a. Salary and Wages Tax (SWT)
 - SWT declarations – a public notice will be issued on the

new requirement to submit copies of birth certificates of dependents with the salaries or wages declaration form (S3 form).

- The IRC is proposing collecting SWT at source (upon bank transfer of pay to employees). Also being considered is reduced SWT returns with a start of year lodgement, variations and a balancing return at year end to true up amounts deducted.
 - Deferral of December SWT – the IRC advised that there will not be any deferral of the December SWT. Taxpayers are advised to ensure they have systems in place prior to the festive holidays to ensure there is no delay with their December SWT filings.
- b. GST credit transfers/refunds –
 - The IRC mentioned that they will look into improving the process of the GST credit transfers/refunds. The improvement process included a change to the GST refund team which occurred in the first week of August 2022.
 - The IRC is looking at processing GST refunds in 6 monthly blocks as well as mandatory transfers of credits above a certain amount.
 - The IRC will be issuing another circular regarding the transfer of GST credits to other applicable taxes/periods.
 - c. Changes to the IRC's interpretation of the tax treaties of Australia, Singapore, New Zealand and Canada with respect to their application to Management Fee Withholding Tax is currently on hold. The IRC are waiting on responses to their interpretation from the affected treaty countries, with one response to date.
 - d. Tax clearance certificates (TCC).
 - The IRC noted the TCC application period to assess and issue the TCC takes approximately 10 working days and notified the Tax Agents that should the 10 working days lapse, the Acting Assistant Commissioner for Case Intelligence should be notified to assist in fast tracking the process.
 - IRC will be updating the TCC checklist pertaining to the documents required for specific transactions for which a



Tax Agent Liaison Group meeting update (cont.)

clearance is needed and will issue in due course.

- e. The IRC will issue a tax circular on company amalgamations.
- f. Statement of Account (SOA)/Consolidated Statement of Account (CSOA) requests – it is encouraged by the IRC to email directly the SIGTAS team on email address sigtas@irc.gov.pg for SOA/CSOA requests for now until the MyIRC portal is fully functional.
- g. Debt recovery and Amnesty – penalty remissions will be considered on the outdoor debt recovery exercise.
- h. Back year returns/deactivation of TINs – The IRC anticipates to complete this project before the 2022 year end. At present, the IRC is checking dormant tax accounts. Once this process is completed, a notice will be issued for taxpayers to file outstanding returns or the IRC will deactivate the inactive TINs. Lack of compliance will be noted for other TINs of those taxpayers as well as their request for new TINs.
- i. Tax Administration Act (TAA) – the tentative date to commence the TAA is in the third quarter of 2022. Consultations to be made in September 2022.
- j. Reinstatement of the Tax Review Tribunal
 - There is currently a vacancy in the position of chairman. This appointment is said to be held up until the new TAA commences.
 - Taxpayers can speak to the AC for assistance required on any pending applications.



New tax laws passed

There have already been a number of important legislative amendments in 2022 affecting the PNG tax framework. A recap of new tax laws passed in 2022 is as follows:

• P'nyang LNG Project amendments

A number of amendments were passed to effect the terms of the P'nyang LNG Project Agreement, including:

1. Stamp duty exemptions on project transfers;
2. Changes to effect fiscal stability under the Project Agreement;
3. Amendment of the production levy for the P'nyang LNG Project to 3% of the wellhead value of produced petroleum;
4. Exclusion of the P'nyang Project from the *Konebada Petroleum Park Act 2008*;
5. Provision for additional income tax deductions for capital expenditure incurred by P'nyang project participants (similar to that granted to the PNG LNG Gas Project);
6. Changes to the Income Tax Act include:
 - a. The ability for project participants to transfer undeducted capital expenditure, including allowable capital expenditure to another resource project, including the PNG LNG and Papua LNG Projects. Transferred capital expenditure does not affect calculation of additional deductions mentioned in the point immediately above. This concession is perhaps the most significant, and will act to significantly defer the PNG Government's combined income tax receipts from the LNG projects;
 - b. The additional profits rate of tax is reduced from 30% to 15%;
 - c. Granting of an interest withholding tax exemption for project financing;
 - d. Inclusion of specific infrastructure tax credit rules for the

project, including a deduction of 2% of assessable income (or 50% of tax payable if lower) and a carry forward period of unused credits of 20 years;

- e. A corporate tax rate of 30%, with no 2% uplift for fiscal stabilisation.
7. GST zero rating for supply of goods or services (other than cars) to a P'nyang LNG Project Entity or P'nyang LNG Project Delegate for use solely in carrying on its resource operations;
8. An exemption from excise tariffs on project goods and consumables, other than cars; and
9. An exemption from customs tariffs on project goods and consumables, other than cars.

• Porgera Mine amendments

Some amendments have also been made in preparation for the mine reopening and in light of the Porgera Project Commencement Agreement, including:

1. Stamp duty exemptions on transactions giving effect to the Commencement Agreement, on Special Mining Lease 11 transactions, and on instruments giving effect to new Porgera transactions;
2. Changes to effect fiscal stability to the new project contemplated under the Commencement Agreement;
3. Removal of any inapplicable tax (as defined under the Commencement Agreement) imposed under the *National Energy Authority Act 2021*;
4. Protection from changes to the Motor Vehicles (Third Party) Insurance Act, including those made in 2021;
5. A royalty in respect of mine products of 3% of the value of the free on board revenue;
6. Changes to the income tax rules include:

New tax laws passed (cont.)

- a. Interest withholding tax exemption on project financing;
 - b. Dividend withholding tax exemption for shareholders;
 - c. Income tax exemption on transactions giving effect to the Commencement Agreement, on Special Mining Lease 11 transactions, and on instruments giving effect to new Porgera transactions including with respect to consideration received by Barrick (Niugini) Limited and Mineral Resources Enga Limited
 - d. A rate of tax on taxable income of 32%;
 - e. Provisions allowing the transfer of allowable deductions and other tax benefits that Barrick (Niugini) Limited or Enga Mineral Resources Limited would have been entitled to the new Porgera entity;
7. GST zero rating on transfers of old Porgera assets to the new Porgera entity.

• Manus Special Economic Region

1. A new *Manus Special Economic Region Act 2022* was passed, which creates its own Authority with Manus now removed from the *Special Economic Zones Act 2019* and its Authority;
2. Powers to effect changes in other laws, including taxation, for a Manus Special Economic Regions Company (MSERC) and its officers, employees and contractors;
3. Changes to this Income Tax Act include:
 - a. Income tax exemption for a MSERC;

- b. Interest withholding tax exemption on interest paid to a lender from a MSERC.
4. Certification under the *Manus Special Economic Region Act 2022* also acts as certification under the Investment Promotion Act 1992.

• Temporary Relief from inflation

Temporary GST, salary and wage tax as well as excise relief measure were passed. We refer to our previous alert that summarises these changes: see May 2022 Edition [Papua New Guinea Tax Alerts | Deloitte Papua New Guinea | Tax, alerts, news, reminders](#)

• Liability for Additional Company Tax

1. A new additional company tax, or market concentration tax was legislation, affecting the banking and telecommunications sectors, and specifically the Bank of South Pacific and Digicel. See Tax Alert # 6 Edition [Papua New Guinea Tax Alerts | Deloitte Papua New Guinea | Tax, alerts, news, reminders](#)
2. The effect of these changes was to impose an additional income tax as follows:
 - a. K190million on the Bank of South Pacific; and
 - b. K350million on Digicel.

Bank of Papua New Guinea (BPNG) Enhanced Foreign Exchange Controls

The BPNG has enhanced controls relating to Foreign Exchange Transactions, effective 21st July 2022. The controls for the forex transactions involve increased documentation requirements for the following:

- A widespread number of transaction such as loans, insurance payments, services in foreign currency, dividends, royalties and outward investments by PNG residents;
- Trade involving export or import of physical goods; and
- Import of physical goods that have not landed in PNG.

Investment Promotion Authority (IPA) - Landowner Companies Constitution

The IPA will be rolling out nationwide consultation on Standard/ Universal Landowner Companies Constitution.

This is in conjunction with the Department of Lands & Physical Planning (DLPP) and other relevant State Agencies to realise resolutions passed during the land summit 2019 (NSL-19).

The Target groups for the consultation include:

- Landowners of Natural Resources with LOCs.
- Landowners of towns and cities with LOCs.
- Provincial and Local Level Government Officials.
- Lawyers and Accountants for LOCs.
- Human Rights Activists for landowners.
- Others having interest in customary land usage for business purpose.
- Non-Government Organizations.



Investment Promotion Authority (IPA) - Landowner Companies Constitution (cont.)

The table below shows the consultation schedule:

Region/Town	Venue	Date
Momase - Lae	Huon Gulf Hotel	23 August 2022
New Guinea Islands - Kokopo	Gazelle International Hotel	08 September 2022
Highlands – Mt. Hagen	Highlander Hotel	22 September 2022
Southern – Port Moresby	Holiday Inn & Suites	05 October 2022



Immigration update – Short term extension

As per Immigration's Notice that came out on Post Courier last Thursday 18th August 2022, all Extension Applications for Short Term Visas will now cease effective 1st September 2022. This is due to the opening of all International Borders. Non-citizens traveling into PNG on short term visas will now be only required to remain in PNG up to the validity of the respective visas as follows:

Short Term Visas	Validity
1 Tourist Visas	60
2 Easy Visitor Permit	30
3 Yachtperson Owner	60
4 Yachtperson Crew	60
5 Business single entry	30
6 Restricted Employment Visa	30
7 Journalists and Reporters	30

Immigration Notice further advised that Change of Status (COS) for short term visas to long term visas will also cease effective 1st September 2022. This includes COS for:

Change of Status	
From	To
1 Visitor Visa	Dependent Visa
2 Visitor Visa	Dependent of a Citizen Visa
3 Restricted Employment Visa	Employment Visa
4 Consultant/Specialist Visa	Employment Visa
5 Dependent Visa	Employment Visa
6 Business Visa	Employment Visa

Do not hesitate to reach out to our Immigration Team on dtimmigration@deloitte.com.pg for any clarification needed.



Reminders: Tax and Statutory Compliance

- Annual Returns with filing month in August are due by 31st August 2022;
- 07th September is the due date for salaries & wages withholding tax (SWWT);
- 21st September is the due date for Goods and Services Tax (GST).

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

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