



Papua New Guinea
Tax Alert

Alert #2



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

- IRC Tax Agent Bulletin Released - Income Tax Return Lodgement Dates
- MOU between IRC and ICA and additional scrutiny on business visas
- IRC – Salary Packaging
- MLI and Effect on Dual Resident Entities
- GST Group Registration Process Suspended.

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IRC Tax Agent Bulletin Released – Income Tax Return Lodgement Dates

The IRC have now issued their lodgement program for tax agents for 31 December 2023 year end returns. Tax agents must meet the following

lodgement percentages of all its client income tax returns by the listed deadlines below:

Due Dates	Taxable	Non-Taxable
By 30 April 2024	30%	
By 31 May 2024	50%	20%
By 30 June 2024	85%	40%
By 31 July 2024	100%	75%
By 31 August 2024		100%

The tax agent lodgement program entails the following requirements for taxpayers and their agents:

- The tax agent submits its client list for income tax returns to the IRC before the lodgement program commences on 30 April 2024
- Taxpayers using tax agents (i.e. on a lodged tax agent client list) obtain an automatic lodgement date extension to the 30th of April 2024, without having to request an extension of time
- Providing the tax agent meets the lodgement percentage targets listed above (within an acceptable variance), further extensions will be granted for taxable returns to 31 July 2024 and for non-taxable to 31 August 2024
- An extension beyond 30 June will not be granted to taxpayers unless provisional tax instalments due by that time have been paid
- Extensions will not be granted if any tax arrears or any outstanding tax matters have not been settled, or prior arrangements for settling these have not been made. Outstanding liabilities must be settled by 30 April 2024 for an extension beyond this date, with a maximum extension to 30 June 2024
- Taxpayers whose 31 December 2022 returns were not lodged prior to 31 December 2023 cannot get an extension beyond 30 June 2024
- A final notice to lodge that is issued by the IRC shall override the tax agent lodgement program dates
- All partnership and trust tax returns must be lodged by 30 June 2024
- All taxable company income tax returns with taxable income of K100,000 must be lodged by 30 June 2024
- All taxable individual income tax returns with taxable income of K30,000 or a provisional tax credit of more than K10,000 are also to be given priority for lodgement
- For taxpayers with an approved substituted accounting period the extension periods will be proportional to the 31 December year end lodgement periods



Other IRC conditions for lodged returns include:

- Returns must come with Financial Statements, as well as notes to the accounts and all supporting schedules
- All attachments to returns must be signed

Unfortunately, this puts Tax Agents in a difficult position. Unless a taxpayer is on the Tax Agent's lodgement list, the IRC has advised the Tax Agent cannot act as tax agent for the taxpayer. However, clients that have a history of missing the deadlines or cannot meet the deadlines for whatever reason, but seek the services of a tax agent to help with their compliance, may have a negative impact on extension deadlines for other Tax Agent clients who are lodging with extension periods.



Individual Taxpayers, who needs to lodge a return

In the Tax Agent Bulletin, the IRC notes the following individuals should be lodging a personal income tax return:

- Where the correct salary and wage tax (SWT) was not deducted each pay period
- Anyone who received an allowance that did not have SWT deducted
- Anyone claiming deductions in excess of K200
- Those who received a termination payment
- Those with a non-salary or wage income in excess of PGK100 (e.g. rental income)
- Those who wish to claim education expenses
- Those who have lodged a Housing Allowance Variation Form



Other IRC Statements

In the Tax Agent Bulletin the IRC also noted the following:

- It was reiterated the dependant rebate remains in place
- The GST Form G1 includes updated notes, specifically stating an invoice basis for reporting is the default requirement
- GST refund and credit transfer forms were changed effective from 1 January 2024
- The IRC is looking at streamlining the Tax Clearance process and will issue a Public Notice on the changes
- The design of Debt Collection Letters has been revised



MOU between IRC and ICA and additional scrutiny on business visas

- A Memorandum of Understanding (MoU) between The Papua New Guinea Immigration and Citizenship Authority (ICA) and the Internal Revenue Commission (IRC) aims to focus on foreign workers within the country who are not fulfilling their tax obligations. As part of this, data from the ICA will be utilized to provide information to the IRC regarding an individual's length of stay in the country, whether they are entering as an employee, and their tax residency status.
- As per the article published by the IRC on LinkedIn on 28th of February 2024, the IRC and the ICA are now collaborating to curb work permit violations and tax evasion. The article specifically dealt with international assignees coming in on business visas and working in country under the business visas. The Single-Entry Business Visa permits a 30-day stay for business purposes, including attending meetings, workshops, and negotiations. However, it strictly prohibits any type of work in country.
- If you are sponsoring people on business visas and have concerns, please talk to us and we can assist in determining the correct visas and PNG tax consequences.



IRC – Salary Packaging

- Salary Packaging involves organizing your employment remuneration to meet both immediate and long-term requirements efficiently. It leverages the tax concessions provided by the Income Tax Act, with a focus on individual needs.
- The IRC is looking into salary packages procedures and employers wishing to package employee salaries should ensure they have a Salary Packaging Policy Document prepared, supported by appropriate terms in employee contracts. This document should outline the obligations and requirements of the employer and the employee and the scope and limitations of salary packaging. We understand the IRC are considering whether all salary packaging policies should be approved by IRC prior to implementing. Evolving requirements and additional processes raise a number of concerns, include backlogs. We are seeking to engage with the IRC on this point.
- We have substantial experience in helping clients develop both policies and requisite documentation. Please contact us if you require our assistance.



Multilateral Instrument (MLI) and Effect on Dual Resident Entities.

- As noted in our prior Tax Alert on the topic, the ratification of PNG's Multilateral Instrument (MLI) is in effect from 3 December 2023. The MLI, unlike a protocol to a tax treaty, does not amend the text of the tax treaty. Instead, the MLI is applied alongside existing bilateral tax treaties. The MLI provisions, which are operative for a particular tax treaty, are to be applied in place of, or in the absence of particular provisions. These vary from treaty to treaty according to what each treaty partner has agreed (i.e. both treaty partners must agree to the MLI changes to be effective).
- Of note regarding withholding taxes and in particular foreign contractor withholding tax (FCWT), the MLI can amend the definition of a Permanent Establishment (PE). For example, some short-term contractor businesses rely upon the day test in treaties to be treated as not triggering a PE in PNG. In the Australian/ PNG DTA the day test is 90 days for services. The MLI's effect on the Australian treaty means the 90-day test is now supplemented by a new provision which looks first at a 30-day period and if that's breached then looks at the presence of the personnel in PNG and closely related entities (including PNG subsidiaries or siblings) to determine if the 90-day test is triggered. This change is targeted at contractors splitting contracts amongst closely related entities to keep the presence of each under 90 days. Foreign companies relying on treaty PE definitions should reaffirm their arrangements do not trigger a PE post MLI.
- Also of note is that persons who are not individuals that are considered tax residents of both countries may also be impacted. Again, using the Australian treaty as an example, the effect of the MLI is the competent authorities of Australia and PNG (being the IRC and ATO) are to endeavour to determine by mutual agreement which jurisdiction a person shall be deemed to be a resident of for the purposes of the tax treaty. This includes having regard a company's place of effective management, the place where it is incorporated or otherwise constituted and any other relevant factors. Crucially, in the absence of such agreement between the authorities, such persons shall not be entitled to any relief or exemption from tax provided by the tax treaty.
- If you make payments to foreign contractors, we suggest you carefully review the structures used to supplement contract work undertaken in PNG. Please don't hesitate to contact us to discuss this if you have any queries.



GST Grouping Registration and GST Deferral Applications Suspended

The IRC has advised that GST grouping approvals for corporate groups are presently on hold, as well as approvals for the GST deferral scheme for GST on imported goods. We are seeking to engage with the IRC on this point to understand the duration of this.



Litigation Settlements

The IRC issued statements in February to advise that both litigation matters with the Bank of South Pacific and Digicel Group Holdings have reach settlement agreements on a 50/50 basis of the tax liabilities. These related to one-off additional (banking and telecommunications) income tax levies imposed on these entities under the 2022 National Budget measures.

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