



Papua New Guinea

Tax Alert

August 2021

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



IRC Announcements

1. Mandatory requirement for Goods and Services Tax (GST) credit transfer/offset – CR1

The IRC has released a notice to all taxpayers nationwide that for any applications that is submitted to the IRC for GST credit transfer or offsets, the taxpayers must furnish to the IRC mandatory requirements together with their application. Below is the table displaying the Mandatory Requirements prior to submitting the CR1 form:-

Mandatory Requirement	How to access & applicable to?
Completed and signed CR1 form/Application	Downloaded on IRC website/request via email or in person.
Supplier/Expense Listing	List must contain all business purchases or expenses in the month in credit as requested. Obtain a sample of the Standard format from IRC as a guide or provide a similar format with the required information.
Sales/Income Summary	Total sales/income for the tax periods referred to or requested.
Bank statements	Statements for the tax period or month referred to.
Tax invoices	These includes paid tax invoices, receipts & vouchers.

For more enquiries, please contact the GST Review team on email gst_refund_review@irc.gov.pg or reach out to the following officers:

Officer/Designation	Phone
Ms Bernadette Uruna/ Senior Manager	322 6616
Mr David Keping/ Assistant Manager	322 6779
Mr Kevin Yaul/ Acting Team Leader	307 7172

Your Deloitte team can, of course, assist you. Note the offset/ refund requirements do not apply to the offset of other tax refunds (for example, CIT refunds). However, we have observed that issues exist with such requests.

2. Mandatory Requirements for goods and services tax (GST) credit refunds – CR2

The IRC further issued a notice to all taxpayers nationwide that for any application that is submitted to the IRC to claim a refund of GST input tax credits, taxpayers must furnish to the IRC the following mandatory requirements together with their claim. Below is the table displaying the Mandatory Requirement requesting for the GST credit:-

Mandatory Requirement	How to access & applicable to?
Completed and signed CR2 form	From IRC web or request via email or in person
Supplier/Expense Listing	List containing details of all business purchases or expenses in the month in credit as requested. Standard format is on IRC web or a similar format as required.
Sales/Income Summary	Total sales or income for the tax periods referred to or requested in the claim
Bank statements	Statement for the tax period or month being claimed
Tax Invoices	This include paid tax invoices, receipts, and vouchers
Approved Charitable Status	Charity Orgs/Non- profit bodies – A copy of letter from the IRC giving exemption or copy of the Gazettal Notice confirming the exempted status.
Contracts/Agreements	Copies of contracts for the provision of goods and services. This includes Contractors engaged by mining, gas and petroleum, constructions, manufacturing companies, commercial leases, government, and NGO sectors
Funding agreement	Government Contracts, National Procurement Commission (NPC) requirements including GOPNG Co-funding contracts
MoU/MoA	
Export Licence	Individual/business engaged in Primary Production and exports of primary produce
PNG Customs Document	Entry documents and clearance document (Form 15) including PNG customs Assessments and receipt notices
Fishing Licence	Individual/business engaged in the fishing sector including exports
NFA Logging Licence	Individual/business engaged in forestry and logging operations including exports permits and licences
Storage Licence	For goods held in bond or lease of warehouses
Prescribed Aid Provider Status	Prescribed foreign Aid Providers/ Donors
Others	Other relevant information

If required, your Deloitte team will be happy to assist.

3. Benefits of being a compliant taxpayer

The IRC have reminded taxpayers it is a legal requirement for all taxpayers to be tax compliant. Specifically, they have stated that being tax compliant not only keeps your records updated but has the following benefits:

- a. Ensures the avoidance or possibility of penalties and interest being charged on defaults and falling foul of the offence provisions which could see taxpayers subject to a fine or even imprisonment.
- b. Allows taxpayers to engage in business with the public sector. Although a Certificate of Compliance (COC) is required for five sectors, these include Building & Construction, Road Transportation, Repair & Maintenance of any motor vehicle, Construction of items for joinery, Provision of security services, many government entities require COCs for private contractors to be eligible for taxpayer-funded projects. There are discussions and projects on foot to make COC mandatory for all government contracts.
- c. Businesses require COC as part of their risk aversion measure when outsourcing work. For instance, if you outsource work to a non-compliant contractor and the tax office takes enforcement action against your contractor, it can seriously disrupt the performance of that contract. Contracting with a tax-compliant contractor does protect one from such risks.
- d. Being compliant pays off when applying for a Tax Clearance Certificate (TCC) to remit funds overseas.
- e. The Marape/Basil Government has recently indicated that taxpayer-funded economic relief to the SME space will be based on tax compliance.

4. PNG signs Multilateral Convention on mutual administrative assistance in tax matters (MAAC).

The IRC announced that Papua New Guinea signed the Multilateral Convention on Mutual Administration Assistance in Tax Matters (MAAC) on 11th August 2021. The MAAC is a comprehensive multilateral instrument that facilitates various forms of cooperation regarding all tax types between jurisdictions that are Parties to it. Becoming a Party to the MAAC will enable Papua New Guinea to;

- a. Exchange tax information (including on request, spontaneous and automatic) with 142 other jurisdictions that are Parties to the MAAC;
- b. Conduct simultaneous tax examinations abroad with the assistance of Parties to the MAAC;
- c. Request assistance from Parties to the MAAC concerning recovery and measures of conservancy and the service of documents; and
- d. Facilitate joint audits.

The IRC will be liaising with the relevant government departments to sanction the MAAC in compliance with Papua New Guinea's constitutional requirements and deposit the instrument of rectification with one of the Depositories with a list of Declarations, Reservations and Notifications.

5. Disciplinary Mechanisms upheld by court

The IRC's administrative disciplinary processes and procedures were recently upheld by the National Court when subject to judicial review.

The tax office has established a robust internal disciplinary process to deal with staff disciplinary matters. It strictly observes the principles of fairness, due process and merit based in its decision-making.

Recently, the National Court dismissed three proceedings filed by three former officers and held that the administrative disciplinary process detailed in Commission Administrative Orders (CAO 5-15 on discipline) was fair and strictly followed by the IRC leading up to the decision to terminate their employment.

The court decisions were a welcoming news as the IRC envisions to promote integrity and avoid corruption as part of its key pillars to build a robust, modern, and efficient tax administration.

IRC is taking very conscious steps in improving staff terms and conditions while setting up a robust disciplinary mechanism to detect and penalise those who fall out of line.



New Income Tax Act Rewrite

Treasury have advised they have reviewed the taxpayer submissions and are concluding their consultation process with the IRC on the Income Tax Act rewrite. Treasury have also advised dates for consultation workshops should be announced shortly. We will advise once further details are released.

We understand the proposed commencement date of 1 January 2022 remains the target. For now, taxpayers should continue to prepare for the commencement of a new Income Tax Act on 1 January 2022 based on the initial draft Act released. For a summary of the changes proposed in the initial draft, see our Income Tax Act rewrite series at: [Income Tax Act Rewrite Tax Alerts | Deloitte Australia | Deloitte Papua New Guinea](#)



IPA bi-annual Terms & Conditions update

We were advised that the IPA is considering the imposition of late penalty charges on the submission of bi-annual terms & conditions report for foreign entities that are operating in PNG.

This discussion is underway and we will keep you informed once this is officially announced. It is important to ensure your terms & conditions reports are up to date in the meantime.

Reminders: Tax and Statutory Compliance

- 30th September is the due date for Goods & Services Tax (GST) and Other Withholding Taxes (FCWT, MFWT, BIPT);
- 7th September is the due date for Salary & Wages Withholding Tax (SWT);
- Annual Returns with filing months in September are due by 30th September 2021;
- Taxable returns for the 31st December 2021 under a Tax Agent Extension Listing were due to be lodged no later than 31st August 2021;
- Non-taxable returns for the 31st December 2021 under a Tax Agent Extension Listing are due to be lodged no later than 30th September 2021.

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



Declan Mordaunt

Senior Counsel

Tax and Business Services
Tel/Direct: +675 308 7037
dmordaunt@deloitte.com.pg



Sanchika Sutharshan

Partner

Tax and Business Services
Tel/Direct: +675 308 7160
ssutharshan@deloitte.com.pg



Maygen Turliu

Director

Tax and Business Services
Tel/Direct: +675 308 7017
mturliu@deloitte.com.pg



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