



Papua New Guinea Tax Alert

Alert #2

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

- IRC Cyber Incident & System Recovery Update
- Section 65A Notice Pursuant to the GST Act 2003
- Gazetting to Income Tax Regulation Amendments
- Certificate of Compliance (CoC)

Have something to contribute? E-mail us at DTTTaxPG@deloitte.com.pg





IRC Cyber Incident & System Recovery Update

On February 14, the Internal Revenue Commission (IRC) released a statement regarding a cyber-attack and subsequent system update confirming on January 28 a ransomware attack impacted their network and email systems.

The IRC statement notes that the core tax system and SIGTAS have been restored and secured and highlights that all data exchanges, transactions, and communications with partners remained secure and uninterrupted during the incident according to the IRC statement.

Progress in Restoring Full System Functionality:

- **SIGTAS:** Fully operational (though we note some disruptions still being experienced in processing of requests)
- **Email Systems:** Restored (though some delays or emails bouncing occasionally being experienced by taxpayers)
- **ICT Infrastructure:** Core components have been redesigned to enhance security and prevent future attacks.
- **Revenue Transfers to WPA:** Unaffected by the attack, with continued processing of payments and returns supporting the National Budget.

We suggest taxpayers CC head of Department when emailing the IRC until emails are stable.



Section 65A Notice Pursuant to the Goods and Services Tax Act 2003

The IRC recently updated their circular (TC2025/1) to provide further clarification regarding the Sec 65A application. Section 65A allows the Commissioner General to instruct certain people or businesses to withhold GST from payments made to registered suppliers. The withheld GST must then be sent directly to the IRC as specified in the instructions. This process helps ensure accurate GST collection and compliance. Section 65A was initially introduced to the government authorities and departments. However, it has been expanded to taxpayers in mining, wholesale/retail, and banking and finance.

The new tax circular clarifies how GST is managed.

What are the Implications for the s65A Notice Recipient?

To report and remit to the IRC the GST incurred on its inputs the recipient of the notice must file two returns:

1. GST Return (G1 Form) – to report GST from their standard business operations.
2. GST Withholding Return (S65A Form) – to report the GST withheld from payments to their suppliers.

Non-compliance with a Section 65A notice results in the person having to pay the required amount to the Commissioner General and potentially facing prosecution, including fines for each offence.

What is the implication on the supplier?

- 1. Declaring Sales and GST:** In the G1 return, the supplier declares all sales made to s65A recipients and the GST charged as part of total sales (Item1.) in the month the supply was made.
- 2. Claiming GST Withheld:** Only in the month of receiving payment from the s65A recipient for the supply, can the supplier then claim the GST withheld as a credit. This will most likely be in a later month and is done at Item 16. of the G1 return. Date of payment is the date on the Remittance or Payment Advice.
- 3. Transferring Withheld Amount:** When the IRC receives payment from the s645A notice recipient, it will transfer the withheld GST amount to the supplier's G1 GST account.
- 4. Penalties for Late Remittance:** If the s65A Notice recipient remits late, no penalty is imposed on the supplier.

Example 1: If a supplier issued a (tax) invoice to a Withholder in June 20xx and the withholder deducted the GST and paid the GST exclusive amount in June 20xx, the supplier must declare the s65A sale and claim the s65A credit in June 20xx GST return. The s65A credit will reduce the GST payable or increase the GST refundable.

GST you have collected from your sales – Output Tax remitted to IRC	K1,000
Less GST you have paid to suppliers for supplies to your business – Input Credit	K750
You should have remitted to IRC	K250
Less: s65A Credit (Line 16)	K1,000
GST Refundable	K750

Example 2: If the supplier issued the (tax) invoice in June 20xx but the withholder deducts the GST and paid the GST exclusive amount in the July 20xx, the s65A sale must be declared in June 20xx GST return and the s65A credit must be claimed in the July 20xx GST return. The s65A credit must be claimed based on the payment date.

Total sales including GST charged	K xxx
GST you have collected from your sales – Output Tax remitted to IRC	K xxx
Less GST you have paid to suppliers for supplies to your business – Input Credit	K xxx
You should have remitted to IRC	K xxx
S6A Credit (Line 16)	K1,000

How can the supplier claim its GST refund from IRC?

If you have a credit balance, you can apply for either a tax credit offset or a refund. To do this, complete, date, and sign an application for Tax Credit Offset or Refund (CR Form). Submit this form to the IRC Provincial Office, Head Office, or via the group email: gst_refund_review@irc.gov.pg

Your application must include:

- **Sales and Supplier Listings:** Detailed records of your sales and suppliers.
- **Details of the s65A Deduction:** Specific information on the s65A deduction, including name of s65A Notice recipient, invoice amount, GST and net amount paid.
- **Remittance or Payment Advice Copies:** Copies of the Remittance or Payment Advice related to the s65A sales.



Gazetting of Income Tax Regulation Amendments

The changes to the Income Tax Regulations from the 2025 Budget amendments have now been gazetted (No.G108). This includes the increase of Tax Clearance Certificate threshold from PGK500,000 to PGK 1,500,000. We understand the banks are now accepting the increase in TCC threshold to PCK 1,500,000 when processing foreign currency payment requests.



Certificate of Compliance (CoC)

The IRC has added an additional requirement to the CoC application process: new applicants must attach a recent bank statement when applying for a CoC for the first time. This does not apply to existing CoC holders.

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

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