



Tax Alert

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Introduction

Welcome to the February issue of the Deloitte PNG Tax Insight!

Every month, our tax team brings to you updates in the tax legislation, policy, practices and technical tax awareness that impact taxpayers every day.

Foreign Investment Reforms Bill

A bill to regulate the foreign investment in PNG namely "**Foreign Investment Regulatory Authority Bill 2018**" was recently tabled. Responding to industry concerns, the Prime Minister has stated the Government will consult and review the Bill. However, the Prime Minister was clear that the Bill, with any amendments, would be presented to Parliament in its next sitting in May 2019.

The intention of the Act is to protect PNG's interests of national, social and economic development by regulating the foreign investments and empowering PNG business, particularly in the SME space. A new body known as the Foreign Investment Regulatory Authority will be established. It is not yet clear how this new body will operate with the existing Investment Promotion Authority (IPA), despite the apparent overlap of functions.

Some of the aspects covered in the Bill, as it is presently drafted, are summarized as below:

- A foreign entity operating in PNG should obtain a permit with the Investment Regulatory Authority prior to carrying on a business. It is not clear whether this would be a separate permit to the certificate currently issued by the IPA.
- A schedule has been attached to the Act which details prescribed activities that are strictly reserved for a 100% PNG citizens / national enterprises. These range from activities within agriculture and livestock, building and construction, fishing and logging, hospitality and tourism, IT, retailing and wholesaling, security, child care, transportation, renting of machinery and arts and craft.
- There are some activities which are reserved for National Enterprises (*ie an enterprise more than 50% of which is owned or controlled directly or indirectly by a PNG citizen*). These activities include law firms, architecture firms, primary and secondary schools, restaurants, tourism services and security infrastructure. A Foreign Enterprise may acquire a relevant interest in a National Enterprise however a license is required.
- The Investment Regulatory Authority is permitted to amend the list of prescribed activities from time to time, which will result in further uncertainty for foreign investors.
- All investments below K10 million are reserved for citizen and national enterprises. While investment is defined, the manner in which the K10 million will be measured is not clear. National enterprises require more than 50% PNG Citizen Shareholding.
- All enterprises currently carrying on prescribed or reserved activities and which do not qualify for approval, are given three years to cease carrying on business from the date on which the Act comes into effect. Again it is not clear how this will operate in the context of measuring the K10 million investment limit.

Tax Identification Number for Individuals

Expatriate employees whose only income consist of salary or wages are not required to obtain a TIN in accordance to the Income Tax Act. However, in accordance to the Customs procedures if the expatriate employee has any personal effects being shipped to PNG then it is a requirement that they obtain a TIN.

The TIN can be obtained from IRC and they have confirmed that they can issue a TIN with no personal tax reporting requirements where applicable.

Non Resident Insurers Monthly forms

In the 2019 budget it was announced that any non-resident insurers would start to lodge monthly returns instead of the annual returns as per the past practice.

The IRC have now released the monthly forms and also the annual reconciliation forms. You can obtain copies of these forms by either contacting us or through IRC website. No additional guidance has yet been issued by the IRC, nor have legislative amendments effecting the change and new lodgments dates been released.

Moratorium on Multiple Entry Business Visas (MEBV)

On 31 October 2018, a moratorium on the issuance of MEBV's was issued to all PNG Consulates and international ports of entry which took effect immediately for an indefinite period.

However, this notice was not widely circulated to the general public at the time and has only recently been strictly and consistently enforced.

This moratorium was imposed as a result of complaints and reports of foreigners abusing MEBV's to engage in unlawful activities, including gainful employment, in violation of the conditions of the business permit.

According to the PNGICSA guidelines, allowable activities under a Business Visa are to attend business meetings, board meetings, conferences, conduct an exploratory business visit or participate in business negotiations.

Please note, however, that the moratorium does not apply to the short term **Single Entry** Business Visa.

Multilateral Instruments (MLI)

PNG has now signed the OECD Multilateral Convention Instruments (MLI). On 23 January 2019 it released its provisional list of expected Reservations and Notifications. The Notifications specify that the MLI will apply to the existing Treaty network that is the 10 Double Tax Treaties in force in PNG. In our coming alerts we will seek to bring you further detail on the implications of the MLI, the Reservations and the impact on the existing DTA's.

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