



**Papua New Guinea**

Tax Alert

March 2019

### In this issue

The first Tax Agent Liaison meeting was held late February. In this issue we bring some updates from the discussions during the meeting.

### Introduction

Welcome to the March 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.

### General Update

The IRC hosted a tax agent liaison group meeting on 21 February 2019. Some of the more notable points to advise included:

- A new Integrated Tax Administration System (ITAS) will be replacing the existing SIGTAS system (likely to be 2020).
- The Medium Term Revenue Strategy (MTRS) will continue to be an ongoing priority for IRC. This initiative focuses on IRC capabilities and includes staff training to enhance client service. In particular, increased support to the SME sector.
- The Tax Administration Act would now come into effect from 1 January 2020. The IRC will run roadshows and seek industry inputs throughout 2019. Some simplification to the administrative provisions of the Income Tax Act are expected.
- IRC is receiving assistance from external development partners including Tax Inspectors without Borders, DFAT and US Treasury.
- The foreign contractor withholding tax circular is expected to be updated in the near future.
- The IRC will investigate dormant accounts, being taxpayers with TIN's but not making lodgments.
- Only the IRC's Policy & Advice team can issue an exemption letter for business payments withholding tax (and the associated certificate of compliance requirement).
- No credit transfers between different TIN's will be allowed.
- Substituted Accounting Period (SAP) approved entities (where the year end is not December) have the same provisional tax due dates as all other entities as SIGTAS is unable to adjust these dates.
- When a company applies for a TIN, not all directors of the company are required to obtain a TIN (as previously required). There should, however, be at least one director who does have a TIN. The IRC did note that having a TIN also does not necessarily mean that the Director has to lodge an Income Tax Return.
- The IRC's view to the changes in the loss carrying forward rules, being a 20 year restriction for resource entities and a 7 year restriction for other entities would be retrospective. They advised legislation will be passed to clarify this point.

### CbC report updates from IRC

IRC has confirmed that the 2017 and 2018 year end reporting has been placed on hold and returns are not required. However, CbC notifications are still required, as is CbC reports where the global reporting entity is resident in PNG. Review of Bilateral treaties is still ongoing.

### Non Resident Insurers Monthly forms

The IRC has confirmed that this would be an administrative change and no legislative amendments will be undertaken. They have also clarified that the forms are only due when a payment has been made.

In addition to the above IRC will be cancelling the existing TIN for the NRI and bring the tax lodgments under the main entity as monthly withholding taxes (NRIWT). Official letters informing this have been sent by IRC to various tax payers.



### Superannuation update

As noted in previous alerts, the IRC has concluded employees are not allowed to salary sacrifice for employer contribution of the Superannuation without amending the salary entitlements in the employment contract. There is also an amnesty in place for voluntary disclosures without incurring any penalties till the 7 March 2019. The IRC has stated that given the amnesty period, the change in policy would be retrospective.

### Update on Foreign Investment Bill

The Bill which is due to be tabled in Parliament in May 2019. Some significant concerns have been received from the business community regarding some of the proposed requirements for foreign investors. The Minister for Commerce and Industry, Mr Wera Mori, had publically acknowledged this and has advised the business community that changes will be made to the draft bill, together with consultation with the Investment Promotion Authority (IPA), before being introduced to Parliament.

### 2018 Income tax return – lodgement extension

Companies who have not lodged their 31 December 2017 tax return by 31 December 2018 will not be granted an extension after 30th April 2019. Any lodgements after this date would be subject to penalties.

### Important Reminders

- As we approach year end, taxpayers are encouraged to bring their tax accounts up to date, in particular, corporate income tax return and monthly GST and SWT obligations.
- Superannuation Contributions – to ensure contribution are updated timely and correctly, we suggest your employees check their Superannuation statements now so any issues can be fixed before the year end.

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