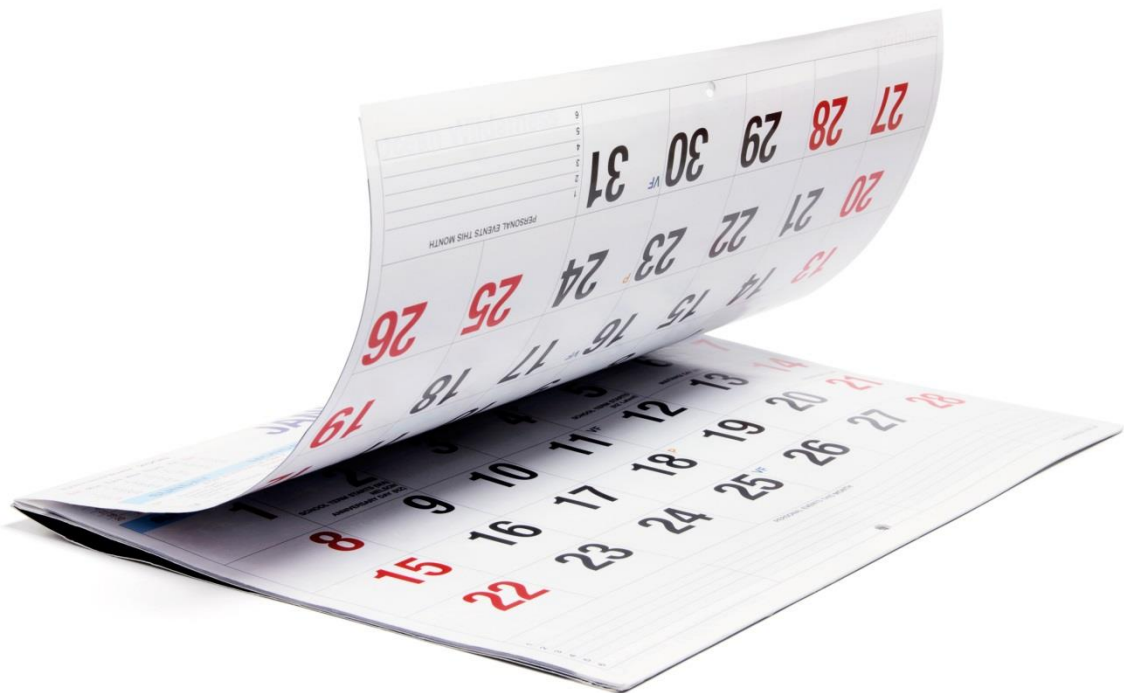


2014 Year End PNG Company Tax Considerations



With the 2014 PNG tax year end fast approaching, now is a great time to reflect on your company's tax situation. There are a number of considerations you should look at now to understand if you need to take any tax planning actions for 2014 before the window shuts on 31 December.

This PNG tax planner is designed to start you thinking about tax issues, by asking you a series of questions so that you can consider whether any further action is needed before year end. Importantly, this list is not comprehensive and not all suggestions may be appropriate in your company's particular circumstances. Your Deloitte tax advisor can assist by discussing which considerations are most relevant for your company and help you prepare an action plan.

We hope this summary will help you with your December 2014 year-end tax planning and would be happy to discuss any aspect of it with you.

Income taxes

Prior year matters

- Have all prior year tax returns, adjustments or contentious tax issues been submitted, reviewed or resolved?

Income Tax Credits / Provisional Tax

- Have you received income from which withholding tax has been deducted and do you have documentation to support the claiming of a tax credit?
- Have all provisional tax amounts been accounted for?

Deductions

- Have you reviewed expenses incurred to ensure you have appropriate evidence and documentation to support the relevant deductions?
- Have you considered the distinction between revenue and capital expenditures in deciding whether a loss or outgoing can be deducted?
- Have you made a commitment to pay a bonus (including the amount to be paid) by year-end and is there any resolution/documentation in place to support this?
- Have you claimed accrued audit fees?
- Have you paid into employee offshore superannuation funds?
- Have you incurred staff training costs that are eligible for a 200% deduction?

Bad debts

- Have you reviewed your debtors and written off any irrecoverable debts?
- Have you recorded – in writing – that the debt is bad before year-end?

Capitalised labour costs

- Have you claimed a deduction for any employees engaged in capital projects during the income year?
- Have you claimed a deduction for employees engaged in administrative activities associated with capital projects undertaken during the income year?
- Where appropriate, have you documented why deductions of capitalised labour costs are allowable?

Prepayments

- Are you considering prepaying expenses before year-end?
- If so, have you ensured that the prepayment amount either falls within the exception for insurance premiums or is apportioned over the eligible service period?

Trading stock

- Have you reviewed whether it is beneficial to value stock at cost, replacement value or market-selling value?
- If you are a retailer or a wholesaler and value stock at cost, are you using the absorption costing method?
- Have you considered the taxation treatment of discounts, rebates and other trade incentives on the sale and purchase of trading stock?
- Have you reviewed your trading stock and written off any obsolete stock?
- Have you considered valuing stock at replacement or market-selling value where these values are less than cost?

Black-hole expenditure

- Have you amortised any business capital expenditure that may not be deductible?

Depreciation Allowance

- Have you identified any of your depreciating assets that are not used, scrapped or damaged?
- Have you adopted the diminishing value method?
- Do you have any depreciating assets which are jointly held by other entities?

Derivation of income

- Have you received any income in advance which is refundable in the event of non-completion?

Multinationals

Thin capitalisation and asset values

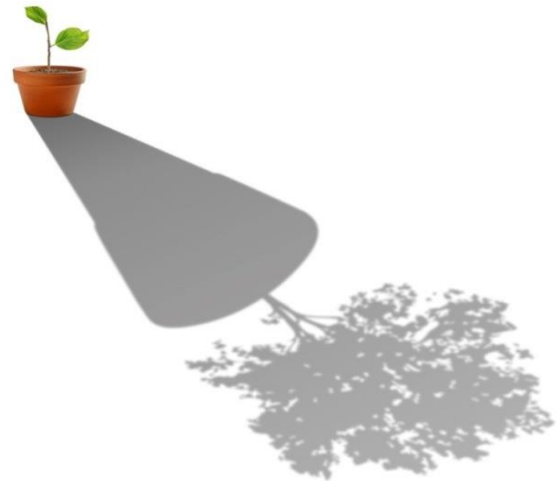
- Have you reviewed your thin capitalisation position and whether there is any restriction on the deduction of interest?
- Is there any action you can take (e.g. recapitalisation, debt repayment, asset revaluations) to correct an excess debt position before year-end?

Foreign exchange (forex) gains and losses

- Have you reviewed all forex transactions and only brought to account realised forex gains and losses?

Interest deductibility

- Do you make interest payments to non-arm's length parties and is the Commissioner General satisfied this interest is at the market rate?
- Have you considered the application of interest withholding tax?



Management fee deductibility

- Have you paid management fees to an associate and is the Commissioner General satisfied they are deductible?
- Have you received management fees to determine whether they exceed the allowable percentage?
- Have you deducted the withholding tax as appropriate?

Employer costs

- Have you considered the group tax status of all staff and contractors?
- Have you performed your annual reconciliation appropriately?
- Are you aware of how the group tax rules apply in relation to inbound international assignees, particularly if they remain on their home country payroll?
- Are you aware of what group tax rules apply in relation to outbound international assignees?

Employee benefits

- Are you aware of all employee benefits provided by various departments within your organisation?
- Are sufficient policies and procedures in place to appropriately capture all employee benefits in group tax payments?
- Have you correctly captured and valued all employee benefits arising from salary-packaging arrangements?
- Are any employees being provided with benefits by a parent company or other related entity, including an overseas company? If so, are sufficient procedures in place to appropriately capture these benefits in group tax payments?

Training Levy

- Have you captured all costs associated with in-house training, including salary costs of trainers/trainees and is there documentation to support these claims?
- Have you considered whether you have any bona fide apprentices?

Transaction taxes

Stamp duty on corporate restructures

- Have you reviewed your corporate group structure to ascertain whether the optimal structure is in place?
- Have you fully considered the costs of retaining redundant companies within a corporate group or not having assets or businesses streamlined?

Stamp duty on other transactions

- Are you considering entering into any of these transactions?
 - The purchase of land or other fixed assets
 - The purchase of a business
 - The purchase of shares
 - Entering into a lease or a loan agreement
 - Taking out insurance

- If so, have you considered your stamp duty obligations and whether transactions can be structured efficiently for stamp duty purposes?
- Are you aware that stamp duty liabilities arise for internal transactions within a corporate group, even if no external party is involved?

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