

PNG Pulse

Keeping you informed



Provisional Tax

The end of July is the time for the payment of the second instalment of provisional tax for 2017 and given that many companies have lodged their 2016 income tax return just a few weeks ago, it is a useful opportunity to review and update your provisional tax position.

The basic proposition is that provisional tax is based on the prior year level of taxable income as a proxy for the current year income. The tax administration system uses the last year of tax assessed as the basis for the current provisional tax instalments. Therefore, unless the 2016 return has been assessed, the second instalment of provisional tax for 2017 will continue to be based on 2015 or earlier years. Companies that were non-taxable in 2016 or in a refund position will need to make sure the return is assessed before the provisional tax notices are issued in order to benefit from a lower provisional tax instalment notice in 2017. Those taxpayers with an increase in taxable income in 2016 will likely receive a provisional tax notice showing an increase in instalments – and likely with retrospective effect. The system continues to generate penalties for these retrospective upward re-assessments, although the IRC has reassured that these will not be applied once the current year is lodged and a final assessment is completed.

Self-assessed variations of provisional tax are also permitted, although care should be taken to ensure that the periodic instalment payments keep track with the final result for the year. Penalties will apply for under variation at any point during the year. Getting provisional tax right and managing your tax payments effectively can be complex and will vary depending on the circumstances of the entity involved. Those who are unsure of their position should seek advice as soon as possible.

Accounting standards to change

The Accounting Standards Board of PNG recently confirmed their commitment to aligning PNG accounting standards with IFRS, including adopting the same effective implementation dates as proposed by the International Accounting Standards Board for upcoming changes. The changes to be implemented in 2018 in relation to Financial Instruments and Revenue from contracts with customers and in 2019 in relation to Leases represent the most substantial changes to accounting standards in more than a decade.

These changes will be relevant for a wide variety of companies operating in PNG and although the date for implementation for the Financial Instrument and Revenue standards will be the 2018 reporting year – the standards may require a retrospective restatement of 2017 comparatives when they are introduced. However, before that, all companies need to understand the changes and disclose the impact in 2017 in order to meet their reporting obligations for the current year.

IPA news

The amnesty period for late lodgement penalties on filings of annual returns will expire on 20 July. The IPA has seen a large number of entities seeking to get themselves up to date before the implementation of the automated registry system and the program to deregister non-compliant entities later this year. In fact the pressure on the system has caused periodic outages for the online registry system. However, there continue to be a significant number of companies that remain on the list of non-compliant companies. Those companies doing business in PNG should ensure that they verify their compliance as soon as possible in order to avoid potential action.

It is also not only annual returns that should be addressed and brought up to date. Foreign certified business are also required to complete a six monthly report on their activities. These filings should also be brought up to date as soon as possible.

Another compliance issue that is often overlooked is the requirement to re-certify foreign certified businesses. Re-certification is required if there is a greater than 10% change in ownership of a foreign certified business. As additional current information is provided through filings made in order to bring annual returns up to date these other obligations such as changes of directors are often highlighted.

Recognising that there are challenges for companies to understand their obligations, the IPA is making efforts to improve awareness of the compliance regime with a program to engage with stakeholders with offers to make presentations in relation to the automated compliance program.

Tax workshop series

We have now finalised the timetable for the PwC tax workshop series to be held between September 2017 and June 2018. As in prior years, the series aims to provide practical training and guidance on a range of tax topics. Details are available on our website and [here](#).

If you would like to know more about these recent developments or have any other questions, please get in touch with your usual PwC contact.

Contact

Peter Burnie
Partner, Tax
(675) 321 1500 | (675) 305 3100
peter.r.burnie@pg.pwc.com

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