

# Built around you

Entrepreneurial and Private Business  
Newsletter

## Issue 2 - August 2021

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### Welcome

As we move into the second half of 2021 we leave behind another six months of uncertainty, and perhaps, a bit of hope for a return to a new normal in the short to medium term. We continue to see family businesses play a vital role in this transition, with many family businesses enabling their staff and their families to be vaccinated against COVID-19, and also many businesses where possible, encouraging their staff to take a break when the business conditions have allowed for this. Unfortunately the recent appearance of the Delta strain of COVID-19 does seem to have delayed some plans, or reshaped forecasts, as supply chains and travel restrictions continue to face increasing uncertainty, but also gives rise to opportunities.

For us at PwC our EPB team has had a particularly busy time focussed around our tax and company secretarial compliance work, as well as a number of different advisory projects. We have also been active in keeping our clients informed and updated on a number of important developments that will assist you, your business, and your family in 2021 and beyond. We are pleased to update you on all of this and more in this edition of our newsletter.

We have had a number of discussions with clients in relation to our Owner's Agenda framework to discuss all aspects of the business and the business family. If you would like to have an Owner's Agenda session with us then please let us know (these sessions are free of charge for 2-3 hours of meeting time and a report).

Another area which is getting a bit more attention is the move from desktop or server versions of accounting software to cloud accounting. Just a reminder that we have partnered with Xero, and our team are all certified, and are well placed to have discussions with you on the benefits of Xero and other cloud accounting packages.

### IRC and tax updates

As we look ahead to the 2022 National Budget, there is still the possibility that the proposed new simplified Income Tax Act will be tabled at that time. There were a significant number of issues raised with the draft version of the new tax bill that was circulated in early 2020 and we would expect a revised version of the bill to be released for comment within the next few months if it was to be part of this November's Budget.

The initial draft included a number of significant developments including, amongst other changes, provisions for the introduction of a Capital Gains Tax, changes to tax depreciation and incentive rates of accelerated depreciation and the taxation of employee benefits and long service payments.

We recommend that if any of the issues above are of concern for you, then please contact us to discuss the changes, and the potential impact on you and your business.

GST continues to be a focus area for the IRC and unfortunately this is continuing to cause difficulties for many of our clients. The areas causing most concern are processes around GST refunds and the application of Section 65A. In relation to GST refunds, the IRC have released Public Notices on how to obtain a GST refund through the CR2 Process which is as follows:

1. Completed CR2 Form
2. Supplier / Expense Listing
3. Sales / Income Summary
4. Bank Statements
5. Tax Invoices
6. Approved Charitable Status
7. Contracts / Agreements
8. Funding Agreement
9. MoU / MoA
10. Export Licence
11. PNG Customs Document
12. Fishing Licence
13. NFA Logging Licence
14. Storage Licence
15. Prescribed Aid Provider Status
16. Other relevant information

Given this process we are seeing significant delays in obtaining GST refunds from the IRC. If you have requested a GST refund, or are considering doing so, please contact us to discuss this.

As mentioned in our previous newsletter, the IRC extended the use of the Section 65A notices to 40 government bodies and SOEs. The GST component relating to supplies made to those government bodies and SOEs should now be paid directly to the IRC by that entity on behalf of the supplier. However, this can cause significant GST accounting issues for affected suppliers to these government bodies and SOEs. The issue stems from the fact that when a taxpayer lodges a GST return and includes the section 65A credit, the IRC needs to verify its accuracy and match the credits with the returns and payments made by the government bodies and SOEs. Where there is a delay or mismatch in this process, the supplier's GST account will show an underpayment and imposition of automatic penalties. The IRC response to this issue is that they expect taxpayers to pay the full amount of their GST liabilities each month before the S65A deduction and treat the Section 65A component as "available" only when it has been verified (meaning that you will effectively be paying this amount twice and then using a credit in the future).



In addition a formal request is then required for remission of any penalties incorrectly applied by the IRC. This creates significant additional administrative burden for both the IRC and taxpayers. If you are making supplies to government bodies and SOEs, or thinking about doing so, please contact us so that we can help you navigate these challenges.

We are still seeing delays in the processing of applications for tax clearances and certificates of compliance. To assist with reducing the processing times for both these applications we recommend that you review your IRC statements of account prior to filing these applications to ensure that there are no outstanding lodgements or tax and penalty balances appearing on your tax accounts. If you need assistance with obtaining these IRC statements, or having your tax compliance records updated by the IRC, please contact us.

On 1 July 2021 the IRC announced an extension to the 2020 tax lodgement due dates. The due date for lodgement of taxable income tax returns for 2020 (December year end) was 30 June 2021 and most of our clients did meet this deadline. For those who did not, they now get the benefit of filing their income tax returns by 31 August 2021 and paying their tax liabilities later than those that actually met the original deadline. However, a benefit of lodging your income tax return for 2020 on time is that the IRC reassesses the basis for 2021 provisional tax. This is seeing many of clients having the IRC actually reduce the estimated 2021 liability and consequently the second instalment due by 31 July 2021. In the event that you are not satisfied with the basis of your provisional tax for 2021 please contact us so that we can discuss your situation and the options available. Also all non-taxable income tax returns for 2020 (December year end) are now due 30 September 2021 instead of 31 July 2021.

## Tax clearances

Just a reminder that we are now six months through 2021 so now is a good time to review whether you need a tax clearance certificate based on your actual and expected transfers of foreign currency outside PNG.

The Central Banking Act 2000 together with the Income Tax Act 1959 as amended requires that a Tax Clearance Certificate (TCC) be obtained by a person or a company from the Commissioner General to remit funds overseas for certain types of transactions over a certain limit to meet their business commitments or for their personal needs. In addition to the Bank of PNG's responsibilities relating to Foreign Exchange Control, it also provides the IRC an opportunity to ensure that the PNG tax affairs of the person seeking to remit the funds are up to date and that there are no unpaid taxes.

Note that not all remittances to be made overseas require a TCC. For the transactions that do require a TCC, below is a list of what types of transactions require clearance:

- All transactions and amounts made to the following countries: Bahamas; Bermuda; British Channel Islands; Gibraltar; British Virgin Islands; Grenada; Hong Kong; The Isle of Man; Liberia; Liechtenstein; Nauru; Netherlands Antilles; Norfolk Islands; Panama; Switzerland; Tonga; and Vanuatu.
- Transactions to other countries over the amount of K500,000 per annum for payments of: Capital Funds; Branch Profits; Dividends; Royalties; License fees; Management fees; Consultancy fees; Transfer of shares; Loan.

## Australian ATO tax residency rules

The 2021 Australian Federal Budget introduced some new rules intended to simplify the process for determining Australian tax residency, including for the years that tax residency is first obtained or ceased. These include a 'bright line' 183 day test. However these Australian rules also have to be considered in conjunction with the PNG tax residency rules and the tax treaty provisions. In the event that you are spending, or planning on spending, more time in Australia in the short and medium term then we recommend that you contact us to discuss any potential implications of these changes.

## IRC guides on salary packaging and charities

The IRC recently released a simplified salary packaging guide. Whilst this did not change existing practice and did not cover all forms of employee benefit, it did clarify the IRC's expectations for a salary packaging arrangement to be effective. Please contact us if you require assistance to review your existing salary packaging arrangements.

The IRC have also just issued a new Tax Circular on the taxation of charities. In particular, the circular set out the IRC's detailed requirements and expectations for trusts and foundations that wish to apply for approval as a charitable body under Section 25A of the Tax Act.

## EPB events and publications

Thank you again to those who participated in the **2020 PwC Global Family Business Survey**. As mentioned in our previous newsletter the survey report **From Trust to Impact** was launched globally on 16 February and you can find a link to the survey report [here](#).

On 22 July we also released our PNG version of the survey report **From survival mode to action mode** and you can find a link to the survey report [here](#). It was great to have so many of our clients join us for this launch event. We will continue to use the findings from this survey to drive our thought leadership for the next 18 months. Please let us know if you have any particular areas of interest or concern in relation to the topics from our survey.

Our **NextGen Club** members also attended a webinar on the **PwC Global Family Business survey - Asia Pacific findings** on 17 June 2021. This webinar involved a **Panel discussion: From trust to impact - Why Family Businesses need to act now to ensure their legacy tomorrow** and included Rama Kirloskar, Kirloskar Group (India); Patrick Widjaya, Daya Group (Indonesia) and Peter Englisch, Global and EMEA Family Business Leader, PwC.

We also hosted a Family Business Hour event on the topic of Australian tax residency. This event was designed to help you better understand how Australian tax residency works for you as an individual, and for any associated companies and trusts, together with the associated tax risks. This event was presented by Michelle Hartman from PwC Brisbane. Michelle is a Private Clients partner at PwC Brisbane who is working with us on Australian tax and family governance matters.

Many of you have taken up the opportunity to participate in our global events under the banner of Powering Private with international expert presenters.

Our first Powering Private event was on the topic "Is your workforce fit for the post pandemic world?" and was held on 27 May. This was followed by "Is Bitcoin the new gold?" on 24 June. These events are a great way for you, as family business owners and leaders, to stay connected to global trends.

We are also excited to announce that we also hosted a PwC PNG Nextgen Club event on succession planning on 11 August. Given the importance of this topic we were able to source two external international speakers who joined us to discuss how family businesses can successfully implement succession and transition leadership to the next generation. Our speakers were Ivan Lingga, a fellow NextGen, from [Lotus Group](#) and Professor Denise H. Kenyon-Rouvinez from [IMD Global Family Business Center](#). If you are a nextgen, or know a nextgen that would benefit from being part of our NextGen Club, please contact us to make sure that your membership is confirmed. As we had used our network in the Asia Pacific region to help source these speakers we also opened up this session to our Asia Pacific Nextgen Club members.

### **TRACOM Social Style opportunity for PwC Nextgen Club members**

We are pleased to advise that recently we joined our global PwC NextGen Club leadership team to complete the TRACOM Social Style workshop. This was a fantastic opportunity for us to obtain insights about our own social style and how we can work more effectively with others.

It also provided us with the ability to utilise the model and bring value to our PNG NextGen community. If you are a nextgen, or know a nextgen that would benefit from this workshop, please contact us to make sure that your interest in being part of this initiative is documented.

If you would like to learn more about this opportunity, you can watch [this video](#), which explains more.



### **Let's chat**

Have you been accessing our regular Let's Chat articles on social media? If you have a topic that you would like us to cover then please let us know.

If you have missed them, they can be found [here](#). Here are the topics:

1. Building value
2. Succeeding through succession
3. Succession or sale - the once in a generation opportunity
4. Business reporting - are you receiving the information you really need?
5. Moving to cloud accounting
6. The way forward for SMEs in PNG - stabilise and strategise
7. Reset your costs and reset your family business for growth after the COVID-19 crisis

### **Don't miss your deadlines**

#### **2021 Provisional tax instalments**

- third provisional tax instalment - 31 Oct 2021
- individuals and trusts provisional tax instalment - 30 Sep 2021

#### **Income Tax Return lodgements (tax agent program revised by IRC)**

- taxable entities - 31 Aug 2021
- non-taxable entities - 30 Sep 2021

For substituted accounting period entities, the provisional tax due dates are four months, seven months and ten months after the preceding balance date, whilst the tax return lodgement date is four months after balance date for taxable entities.

#### **Other compliance obligations**

- Withholding tax annual reconciliations - 28 Feb
- Annual returns with Companies Office - depending on allocated due date
- Business name renewals - depending on allocated due date

# We're here to listen

# Ready to help

## We would like to hear from you

At PwC, we get that your decisions aren't always about business. We are here to support you in achieving growth today, whilst helping you shape your legacy for the future. Our EPB teams in Port Moresby and Lae are wholly focused on providing advisory, accounting and tax services to private and family businesses.

Please contact us if you have questions, queries or comments on our events or any changes that have an impact on your business.

## Contacts

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