



Built around you

Entrepreneurial and Private Business Newsletter

In this issue

1. What are we seeing?
2. Taxation changes
3. New work permit renewal requirements
4. Tighter foreign exchange documentary compliance
5. Companies Act amendments
6. 2023 filing deadlines
7. EPB events and publications
8. 2023 Family Business Survey

Issue 6 - October 2022

Welcome to our sixth edition of the Entrepreneurial & Private Business (EPB) newsletter! The purpose of these newsletters is to keep you informed of current developments impacting private and family businesses operating in PNG.

What are we seeing?

Stability and green shoots

As we move into the final quarter of 2022, most businesses are experiencing more stable trade trading conditions than in the previous two years and are well placed to benefit from more consistent and strong leadership from the recently returned Pangu led Government. The traditional post-election drop in spending has not yet materialised and most retailers and manufacturers are reporting steady sales volumes. There are even reports that global shipping and container availability is easing, which should bring down rates and reduce shipping delays.

Despite this, a number of previously highlighted risks continue. On a macro-front, inflationary pressures on costs, labour skills shortages, continuing geo-political tensions and ongoing foreign exchange shortages remain big issues for family business.

At the micro-level, power and IT infrastructure has proved even weaker than feared, whilst trying to

ensure regulatory compliance and deal with various levels of government continues to present challenges.

Whilst overall market liquidity remains very high, many businesses are facing cash flows issues, much of which is caused by the continuing delays with payments to government contractors and sorting out GST credit issues

The MYEFO report issued by the re-appointed Treasurer highlighted an increase in the expected revenues for the full year, driven mainly by a significant increase in tax payments from resource projects on the back of high global commodity prices, with other revenue items expected to decline, including GST and non-tax revenues. The Treasurer acknowledged that GST will likely undershoot anticipated collections by almost PGK 400 million, much of which is due to the GST exemption to most fuel products. Despite the anticipated increase in overall revenue, the year is predicted to retain the same planned deficit as expenditures have also increased.

However, the re-opening of Porgera, which was included in the 2022 National Budget for Q2/22, still seems some way off. In Morobe, major infrastructure works continue on the road network, port facilities and Nadzab corridor development, although power woes are becoming a major concern.

In order to succeed through the challenges ahead, family businesses need to focus on a few key areas:

- Having a clear strategy for growth and adding value - just continuing doing the same is not enough to ensure sustainable success
- Think about what family and business governance structure is appropriate for you now and in the future
- Consider what management continuity and ownership succession looks like to you and your family and have a plan in place
- Take a broader view of family wealth and the need for diversification
- Have an increased focus on ensuring ongoing compliance with the rules and regulations impacting your business
- Focus on the training and development of your national teams
- Consider how you can upgrade the digital skills of you and your team and utilise advances in technology within your business
- Consider the security and exposure of your data and your customers data to cyber and other fraud risks
- Have a broader focus on your business's impact on the environment, society and governance. Think about just a few areas where you can have some impact and set yourself some targets.

Taxation changes

In case you have missed out on our PwC Pulse for the last few months, we have highlighted below our summary of the main recent taxation developments

New Income Tax Act to be tabled, but not effective until 1.1.24

The IRC recently circulated a 9th draft of the proposed.

new Income Tax Act and held some consultations with tax agents.

Whilst we are still expecting the legislation to be tabled as part of the 2023 National Budget, the IRC has indicated that actual commencement will probably be delayed until 1.1.24 whilst all the accompanying regulations, forms and internal processes are aligned. Implementation of the new Tax Administration Act is similarly expected to be delayed.

We will update you on the details and suggested action points once the final legislation is available.

Further strengthening of GST credit return compliance

The IRC recently issued a notice clarifying the mandatory submission of supplier listing and sales listing when filing for CR1 (credit offset) form or CR2 (credit refund) form for GST credits.

Supplier listing and sales listing is to be supplied for both the months the GST credit relates to and the GST months the amount is to be offset against.

The list must show the date of purchase/ sale, the supplier's/ purchaser's name and TIN, the gross amount, the GST amount claimed, and a description of the goods and services provided. Where the purchase/ sale is treated as an exempt or zero rated, supply the reason why.

The IRC's continuing tightened of their verification processes without any risk focus has led to lengthy delays in processing GST returns showing a credit position, which need to go through a two stage process of audit validation and general tax compliance review before being processed.

There have been a number of positive moves in the right direction. The Total-led Papua LNG is progressing through feed and the Morobe Provincial Government has agreed to move forward with landowners and the developers in progressing the Wafi Golpu project to the next stage. The IRC also recently issued a public notice to advise taxpayers (except LTO taxpayers) that all applications submitted to the IRC to claim a refund or an offset of GST credits must be lodged at either of

the following avenues;

1. Taxpayer service counter at Regional/Provincial Offices
2. Taxpayer service counter at the HQ
3. Email through mailbox:
gst_refund_review@irc.gov.pg

These changes also coincide with further personnel changes and a restructure within the GST section. For exporters and others that are in a structural refund position, GST administration continues as a cumbersome reality of tax compliance and can cause serious cash flow issues unless well managed. For those who have occasional refundable periods, the process is perhaps even more daunting.

With the most recent changes, taxpayers should revisit outstanding balances as well as their compliance process to ensure that the newest rules are being followed.

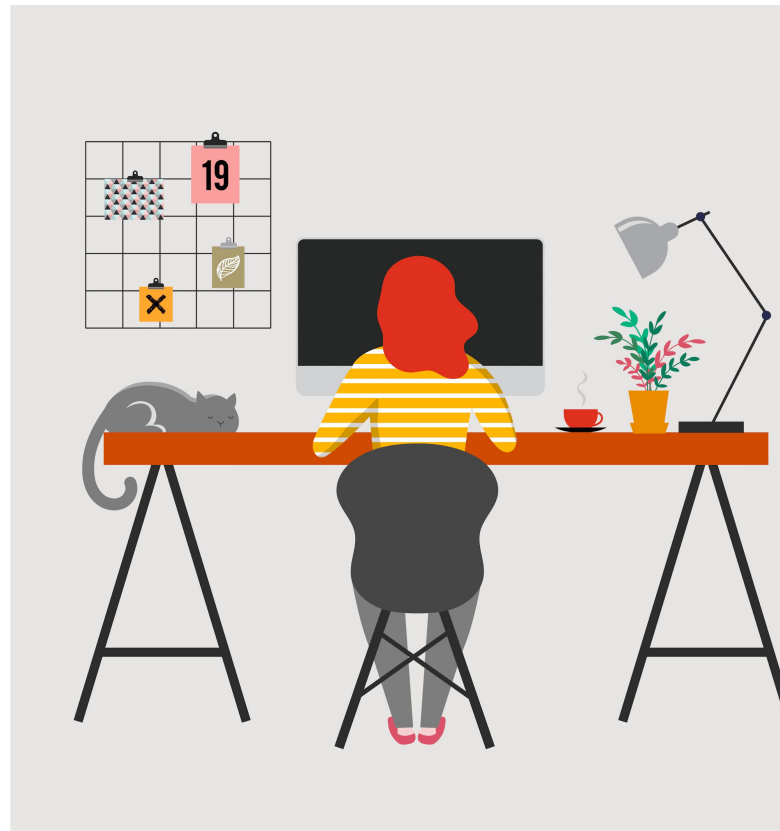
MyIRC platform progress

The IRC recently held a consultation on the development and implementation status of the MyIRC platform, which was initially launched in December 2021. The platform is described as enabling taxpayers to make payments and lodgements online, to instigate enquiries, to look up valid TINs and CoCs etc. The platform also has a feature that allows tax agents to engage through the platform on behalf of their nominated clients.

The platform was launched as a minimal viable product - which meant that many of the more advanced features were not yet available. This continues to be the current status, although the developers expect many of these to be available during 2023.

The core of the platform is the requirement for each taxpayer to be registered with a unique email address and to have its identity verified. While this follows a logical path in the context of individual taxpayers, corporate taxpayers, groups of companies and other forms of business may not find the system as natural. As the product continues to evolve, we would expect that the range of guidance and answers to common challenges will become clearer.

The MyIRC platform is a key strategy of the IRC and, once fully operational, is expected to be the single source for making lodgements and payments and all other IRC communications, hopefully eliminating current issues with missing forms and the need to relog the same information.



IRC to undertake massive de-registration of inactive TINs

The IRC will soon undertake massive deregistration of inactive Tax Identification Numbers (TINs) to target inactive and non-compliant businesses.

The IRC have been doing a comprehensive taxpayer mapping exercise to identify the physical location of taxpayers in each of the provinces. From this exercise, there were TINs that were identified to be in business but haven't been compliant and will be investigated. Inactive TINs will undertake deregistration and IRC will write to the bank to close its bank accounts.

New requirements for renewal of existing work permits

PNG Immigration and Citizenship Authority, upon taking over the work permits function from Department of Labor, have expressed concern over the number of non-citizen employees who are renewing their work permits multiple times (for the same position). The ICA consider this reflects a failure in terms of the training and upskilling of PNG citizens who are supposed to understudy and be able to perform positions held by non-citizens, as per condition set out in their work permit.

Therefore additional requirements have been introduced when applying for renewal of non-citizens work permit:

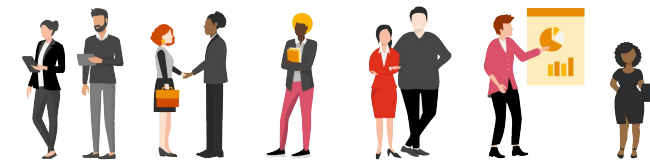
1. A letter from the employer justifying why they are applying for renewal of the particular position.
2. A **detailed training report** from the company and non-citizen accompanied by a succession **plan** and **identified successor** to the position.
3. The company or organization's organizational structure with the number of citizens and nationals in the position.

It is important to consider these new requirements in a company's resource planning and preparation of required documents for the renewal of expiring contracts of non-citizens employees. As the battle for talent increases, family businesses should prioritise the training and development of talented citizen staff as both an economic and societal imperative.

Stricter enforcement of BPNG foreign exchange control requirements

A number of businesses have been experiencing stricter documentation requirements from their commercial bankers for both outward and inward remittances of foreign currency. Most of these are just stricter implementation of the existing BPNG guidance - the only regulatory change has been the requirement to provide copies of contracts in addition to invoices information. But some businesses have had to resort to creating commercial invoices in addition to the normal

tax invoice before inward remittances for services can be processed. It is to be hoped that BPNG will encourage the commercial banks to adopt a more practical approach to compliance.



Companies Act changes

The Companies (amendment) Act 2022 was signed and certified on 2 September 2022. These amendments aim to reform existing corporate laws in order to combat money laundering, provide better internal governance, facilitate re-registration of companies and other related purposes.

The bill amends sections in re-issue and transfer of shares. When issuing shares by the company, sufficient information to the beneficial owner must be identified and disclosed in a written notice to the Registrar.

There are also amendments on company's removal from the register and new sections are added in restoring companies to the registrar.

The key amendment includes:

- automatic deregistration of companies that are more than 6 months late with filing of annual returns
- more straightforward reinstatement process for deregistered companies
- mandatory re-registration of local and overseas companies within one year of commencement of amendments to ensure accuracy of IPA data
- inclusion of provision relating to anti-money laundering and anti-terrorism
- collection of information relating to beneficial ownership of shares
- extended Registrar's power to inspect companies subject to Securities Commission Act 2015 and Capital Markets Act 2015

Don't miss your deadlines

2023 Provisional tax notice

Companies:

- first provisional tax notice - 30 Apr 2023
- second provisional tax notice - 31 Jul 2023
- third provisional tax notice - 31 Oct 2023

Individuals, Estates and Trusts

- Individuals - 30 Sep 2023
- Estates - 30 Sep 2023
- Trusts - 30 Sep 2023

Income Tax Return lodgements (tax agent program)

- taxable entities - 30 Jun 2023
- non-taxable entities - 31 Jul 2023

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.

2022 Annual reconciliations

- SWT Form S6 and S1 - 14 Feb 2023
- DWT Form D2 - 28 Feb 2023
- FCWT Form F2 - 28 Feb 2023
- MFWT Form M2 - 28 Feb 2023
- IWT Form I2 - 28 Feb 2023
- RWT Form R2 - 28 Feb 2023
- BIPT Form P8 - 15 Mar 2023



EPB events

Family Business Hour

Last month we were delighted to host our first face to face family business cocktail function at the PwC office in Port Moresby. Hosted by EPB Partner, Michael Collins, attendees were provided with a PwC perspective on current challenges in PNG for family businesses by EPB Principal Stephen Beach and a international perspective from our Global Family Business Leader Peter Englisch, together with an overview of our NextGen development programs. Braden Chin also shared his experiences from attending the 2022 Next Gen Academy in Boston, USA and inspired other NextGens to follow his footsteps.

We plan to hold other Family Business events later in the year centered around the 2023 National Budget.

2023 Family Business Survey

Our much anticipated 2023 global family business survey has now gone live and hopefully you have received an email invitation to participate.

This will be the third time that PNG has been included in the global survey and issued our own tailored report, so the more of you who participate the more relevant will be your combined feedback.

We're here to listen; ready to help

One more thing...

The 2023 National Budget will be handed down in November. Treasury and the IRC have already indicated that the new Income Tax Act will be introduced, albeit with a deferred implementation date, and therefore further major tax changes are considered unlikely. As normal, we will ensure that our EPB clients are advised of any changes on the morning following the Budget presentation.

Of course, we are happy to discuss these changes with you and their impacts on your family and business planning, so please contact us to organise a time to discuss.

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 do not hesitate to contact us if you have questions, queries, or comments on our events or any changes that have an impact on your business.

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