

Built around you

Entrepreneurial and Private Business Newsletter

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Issue 9 - December 2023

Welcome to our ninth edition of the Entrepreneurial and 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 have we been doing?

We have been busy over the last few months as we continue to work with our clients to unlock opportunities and manage challenges in the current business environment in Papua New Guinea. Here are a few highlights we think you should take note of:

- Tax compliance is still front of mind for many businesses - It is becoming more important to have tax accounts correct with the Internal Revenue Commission (IRC). Without having tax accounts correct the IRC is delaying the issuance of tax clearance certificates, certificates of compliance and other approvals (such as for GST credit transfers and refunds).
- Re-registrations with the Companies Office and Re-certifications with the Investment Promotion Authority (IPA) kept several of our team busy during October 2023 and November 2023. Business names were due to be re-registered by 31 July 2023 and the re-registrations with the Companies Office and

re-certifications with the IPA were due 30 November 2023. If the re-registrations and re-certifications were not completed by 30 November 2023 then there is a risk that the directors and shareholders of non-compliant entities may become banned persons (as well now suffering additional penalties for non-compliance).

- We presented our PwC PNG Family Business Survey for 2023 in Lae and Port Moresby in September 2023. If you would like a copy of this presentation then please contact Michael Collins. We have also launched our NextGen Global Survey for 2024. The link is available [here](#).
- We also presented a number of breakfast sessions on Remuneration Planning and Residency Transition Planning for Owners and Senior Executives. Due to the success of this we will do another series around Year end matters and understanding income tax returns

from an Owner's perspective in early 2024 (Year end matters are set out later given the timing for December 2023). If you want a particular topic covered then please contact Michael Collins.

- The PNG Budget was handed down on 28 November 2023. If you did not read our PNG Budget report for 2024 it can be found [here](#). In October 2023, the IRC issued a media release on the Proposed Tax Legislative Changes that the IRC wanted to be included in the upcoming 2024 National Budget. We have included more detail below, but also please refer to this [link](#).
- The IRC has also released new Forms relating to Goods and Services Tax (GST) returns and supplier listings, tax credit transfers and tax credit refunds. These Forms will need to be used from 1 January 2024. The forms can be found here: <https://irc.gov.pg/news/public-notice/g1-form-updated> or <https://irc.gov.pg/news/public-notice/credit-request-form-replacing-cr1-and-cr2>.
- There are continued discussions about the depreciation of the PGK. We have recently been discussing the ANZ Research article that advises the Kina will bottom at PGK0.2478 in Q3 2024.
- There are also ongoing discussions about residency planning. We have recently been discussing the Australian Financial Review article titled "How expats can avoid an eye-watering 72pc super tax". A link to this article is found [here](#).

IRC activities

The IRC has issued a public notice advising that there is a new GST return form (Form G1). The updated form is to be used by Taxpayers effective 1 January 2024 when preparing their GST returns (this means the December 2023 GST return is to be completed using the new Form G1). The Form G1 is to be completed on the invoice (accruals) basis unless IRC has given their permission to lodge on a cash basis (this is set out in the GST Act). The Form is to be attached with a supplier listing when lodging. The format of the mandatory supplier listing can be found on the IRC website.

There is also a reminder to include certain taxable employer benefits as taxable supplies and to only enter amounts in line 16 (section 65A credits) when you have been paid by your customer. The IRC has also issued a public notice advising that the Form CR1 (credit transfer request) and Form CR2 (credit refund request) have now been replaced with the Form CR (Credit Request). The new Form is to be used by taxpayers effective 1 January 2024 when applying for a credit transfer or a credit refund.

The Form is to be used for both offset and refund requests of taxes.

When completing the Form, the Taxpayer may select the transfer or refund box. Or if the Taxpayer wants to make a credit transfer and refund request, both boxes may be selected (top left corner of the Form). When lodging a credit request for GST, the following requirements apply:

These requests may only be lodged:

1. at the regional or Provincial enquiry counters;
2. at the Enquiry counter at the Head Office in downtown Port Moresby;
3. by mail addressed to
Attention: Director GST Returns Review,
Refunds and Offsets
PO Box 777 Port Moresby NCD
4. by email to gst_refund_review@irc.gov.pg.

The sales and supplier listing for each GST period in which a credit sits and which a refund is requested for is to be attached to the request. Where a GST credit is to be transferred to a GST liability, the sales and supplier listing for the credit and debit periods must be attached. Credit requests will not be accepted if they are lodged outside of the four locations listed above or the required listings are not attached. The formats for the Sales Listing and Supplier Listing can be found on the IRC website, as well as a copy of the updated Form G1 and Credit Form can be found on the IRC website (<https://irc.gov.pg>) under the categorised forms tab. The process for transferring or refunding GST credits under section 65A are the same as above.

IRC deadlines

We have enclosed a copy of our PNG tax compliance calendar to remind you of the upcoming deadlines for monthly compliance and annual compliance.

IPA activities

Business names that have expired and have not been renewed by 31 August 2023 risk automatic cancellation on the new Online Registry System. Any owner of a business name who wishes to maintain or restore the same business name after its cancellation will be required to pay a penalty fee of K400, consisting of a K250 penalty fee and K150 renewal fee.

The Registrar also issued a warning to directors of both local and overseas companies to re-register their companies by 30 November 2023. Those companies who failed to re-register were automatically removed from the registry on 1 December 2023.

The IPA has now done away with six-monthly reports as foreign entities are now required to file an annual status report within the allocated filing month. As with the six-monthly reports, the status report is to confirm if there were any changes with regards to the operating locations, business activities, and or prescribed terms and conditions. Annual returns are still required to be filed in the allocated filing month. Late lodgement lodgement penalties will be applied now too.

Over the last few months, we have seen most entities (companies, business names, associations, and business groups) be successfully re-registered with the Companies Office and the foreign enterprise unit of the IPA, with only a handful left to be re-registered before the deadline.

Proposed Tax Legislative Changes – 2024 National Budget

The IRC has issued a media release to the public outlining a set of legislative amendments which they are planning to propose to be included in the 2024 National Budget scheduled to be held in November 2023. The proposed tax policy legislative amendments aim to enhance administrative efficiency, reduce the compliance burden on taxpayers, and improve the collection of revenue in Papua New Guinea, with each amendment being motivated by specific objectives that align with the IRC's goals.

Under the revenue measures, the IRC proposes:

- to continue and maintain the tax-free threshold for salary and wages earners at K20,000 and repeal dependent rebates;
- to increase the existing penalty for non-compliance with the Section 65A of the Goods and Services Act 2003 from K1,000.00 to K50,000.00 to encourage compliance with the law;
- to reduce the timeframe of 8 years to a more reasonable period from which a GST refund can be claimed to increase administrative efficiency and anti-abuse;
- to introduce a double tax treaty override provision where it allows PNG to collect taxes on management fees where applicable;
- to provide clarity on the tax treatment of withdrawals from retirement savings accounts due to complaints received from retirees that their superannuation savings kept in retirement savings accounts are being unfairly taxed;
- to increase the threshold for the Citizen Employee First Time Home Buyer Scheme threshold with the stamp-duty free threshold for first-time homebuyers from K400,000 and K500,000 respectively to K700,000 to adjust and align with current property market prices in PNG;
- to reduce the filing frequency of GST tax returns from monthly to quarterly or bi-annually to assist with the compliance burden on taxpayers with a turnover of less than K1.5m;
- to remove the requirement for the Commissioner General to consult the Bank of PNG when determining whether loan agreements between related parties in the extractive sector were entered into based on arm's-length interest rates.

Under the new policy initiatives, the IRC proposes:

- to provide the Commissioner General with more authority to determine when and how much tax debt to write-off;
- to introduce a legal basis for a formal tax-debt swap arrangement where it allows taxpayers to offset tax debts against monies owed to them by the government.

Under legislative updates, the IRC proposes:

- to amend certain provisions in the Departure Tax Act and Regulation to remove outdated references;
- to update the Tax Administration Act to align with the evolving tax landscape, changing government priorities, taxpayer expectations, technological advancements, international standards, and to ensure the efficiency and effectiveness of tax administration in the current environment.

The IRC is advocating for the proposed tax legislative changes for the 2024 National Budget in Papua New Guinea as they represent several measures with the primary objectives of streamlining administrative processes, lightening the compliance load on taxpayers, and optimising revenue collection.

PwC PNG Budget observations



Taxation of individuals

- SWT tax free threshold increased permanently
- Repeal of dependent rebate



Customs and excise

- Tier-2 tobacco excise regime now permanent
- Exemption for certain imported items used in manufacturing sector



Export duties

- Reduction in export duties for logging industry
- Export tax for unprocessed fish

Budget - legislative changes

The Budget 2024 has been tabled and passed in Parliament. A more complete analysis of the full budget can be found in PwC Budget 2024 - Threading the Needle.

In terms of taxation changes, these were ultimately limited. The key items are described below.

SWT changes

The annual tax free threshold for individuals has been retained on a permanent basis at PGK20,000. This level has been made a temporary change as part of a package of cost of living support and has been applicable throughout 2023. This will take effect as of 1 January 2024.

The dependent rebate provisions have been repealed with effect from 1 January 2024.

The net effect of these changes from 2023 to 2024 is to negatively impact the take home pay for those subject to SWT that had been eligible for claiming a dependent rebate.

Customs and Excise

There were a limited number of changes to import duties associated with a variety of imported items that were described as inputs to support local manufacturing. A number of these items had been the source of customs audit actions in recent years and the legislative changes will presumably assist in clarifying matters of classification.

Tobacco excise changes were also introduced to continue the roll out of the Tier 2 regime.

There was a temporary reduction in the export duties associated with some round log species (from 70% to 50%).

EPB events

We have had a few events over the past few months, including this month, with a session in December 2023.

Family Business Function

In September 2023, we had the opportunity to present PwC PNG's 3rd Family Business Survey (FBS) to clients in Lae and Port Moresby. The PNG FBS was conducted alongside PwC's 11th Global FBS which is an international market survey to get an understanding of how family business leaders perceive their companies and the business environment. The Global FBS was released in March 2023 which surveyed 2,032 family businesses across 82 territories, where

630 participants were from the Asia Pacific region. As highlighted by Michael Collins, the focus of the FBS for 2022 is on trust, which is fundamental to long term sustainability. Businesses rely on the trust of their customers, business partners, employees, shareholders, and other stakeholders that they will be able to meet their expectations - whether that is product quality, service delivery, financial performance, employee engagement, business ethics and integrity or care for the environment and society. Family businesses also rely on the trust of the family members to ensure just and fair treatment and the avoidance of family conflict. Family and privately owned businesses have traditionally held a premium on trust, being driven by deeper core values and sense of community than multinational public companies.

Breakfast Session - Remuneration Packaging

We have held a few breakfast sessions on remuneration packaging for interested clients in Lae and Port Moresby, with an upcoming session to be held in Lae in December 2023. If you would like to secure a place, please reach out and let us know.

PwC 2024 NextGen Academy

Registration for the 2024 NextGen Academy will start in January 2024 with the Accelerator Academy to be hosted at the Columbus Business School in New York from 24 June 2024 to 28 June 2024 for those in the age group of 21-28. Whereas the leader academy will be hosted at the IMD Business School in Switzerland from 19 August 2024 to 23 August 2024 for ages 26 and above. The PwC NextGen Academy is a unique and exclusive one-week training event in cooperation with top ranked business schools around the world. If you are interested in learning more about our NextGen Academy then please contact Michael Collins.



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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