PNG Pulse

Keeping you informed

April 2017

Lodgement deadlines confirmed

The IRC annually issues a bulletin that confirms the nature and extent of entities that are required to lodge an income tax return and the deadlines for lodgement where they have appointed a tax agent. For individuals and entities that have not appointed a tax agent, returns for the year ended 31 December 2016 were due by 28 February 2017.

However, all entities under a tax agent lodgement program for this year will generally obtain an automatic extension of time through until 30 April. Beyond 30 April, extensions will be available through to 30 June subject to certain conditions, including:

- All provisional tax instalments payments are up to date
- There are no tax arrears or matters outstanding for which arrangements have not been agreed with the IRC
- the return for the year ended 31 December 2015 was lodged before 31 December 2016
- entries to the tax agent lodgement program must be included in the agent's program prior to 30 April

All entities not qualifying for an extension will need to be highlighted as a late lodger.

Historically, penalties for late lodgement were generally not applicable. However, with the continuing implementation of SIGTAS, it is likely that at some point the potential penalties referenced in the legislation will be imposed. These include the greater of a penalty of 100% of the tax applicable to the return, or K100 per month in addition to 20% per annum on the unpaid amount.

Taxpayers should therefore review and manage their income tax position with special consideration to ensuring that they meet the relevant deadlines and conditions for extensions to be available.

Latest legislative updates

The IRC's bulletin also contained some commentary reflecting the IRC's view on the changes to tax legislation introduced as a result of the 2017 budget process. As we know, a number of tax amendments were proposed and passed in the November budget session of parliament. Further amendments to address a number of unintended consequences were then processed in the first parliamentary sitting of 2017 in February – although again there are still some additional unintended consequences from those amendments.

The IRC's view as expressed in the bulletin is therefore useful to appreciate how a number of the changes will be implemented. They have confirmed:

- Entities with remaining balances in their refundable dividend withholding tax accounts will still be able to claim a dividend withholding tax refund provided the balances are up to date and verified
- Existing entitlements for foreign contractors to lodge an income tax return will only apply to the 2016 year of income, there will be no further lodgements permitted. The IRC also confirm that through the change in legislation, a FCWT determination is no longer an assessment on the foreign contractor – which means they will not have formal objection rights.
- Finally, although the dividend rebate has been removed in the current version of the law, the IRC recognises that this is not the policy intent and the rebate will be reintroduced. In the interim, they will administer the law as if the rebate is available.

New budget submissions open

Although the fall-out from last year's tax changes introduced through the budget process is still making its way through the business community, Treasury has announced that submissions are welcome for the 2018 budget process. As usual, these are encouraged from business groups and other stakeholders in the PNG community and are due by 1 May 2017. As in prior years, PwC will be making a number of submissions in relation to tax related challenges.

The drivers of tax changes in the 2016 and 2017 budgets are to be found in the report of the Tax Review Committee finalised in late 2015. Therefore, it is reasonable to expect that the findings in the report continue to be an influence on Treasury in their plans around tax reform for 2018. There are two significant areas of proposed reform which are yet to be addressed; these are the balance between direct and indirect taxation (which would broadly see an increase in GST and a reduction in salary and wages tax) and capital gains tax. Both of these areas are complex and addressing either could have far reaching implications for taxpayers.

The use of data matching

Recently we have an increasing use of data matching by the IRC in their enforcement activities. The most recent examples involve matching data between immigration and taxation and have focussed on the issue of business visas. The IRC has challenged a number of taxpayer entities to demonstrate how they have treated payments and costs associated with individuals in receipt of business visas sponsored by a PNG entity. In some cases, the information matching has gone back for more than 5 years. The review targets the relationship between FCWT and SWT that may be applicable in these scenarios.

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.

Contacts

If you would like further advice or information in relation to the issues outlined in this bulletin, please call your usual PwC contact or any of the individuals listed below:

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