



## April 2020 - Special Edition 3

### IRC's COVID-19 Phase 1 response clarifications

Further to the [Commissioner General's recent release](#) of a range of taxation measures described as a Phase 1 response to the impacts on business and the economy from the COVID-19 pandemic, it has announced a number of clarifications in relation to the measures by way of an Annex to its Public Notice.

In short, the clarifications confirm our initial thoughts that the breadth of their Phase 1 response is quite narrow, and likely only provides modest timing relief for a small subset of taxpayers.

The Annex confirms that there is no deferral of:

- the first provisional tax instalment due on 30 April, or
- the first instalment of Advance Payment Tax for resource companies due on 30 April.

Although there is an ability to potentially defer the lodgement of 2019 annual corporate income tax returns, we recommend that taxpayers may still wish to lodge their 31 December 2019 tax returns early where they have overpaid Provisional Tax in prior periods to ensure their provisional tax payments for July are reassessed to a lower amount, as well as to allow the use of overpaid corporate taxes from 2019 as credits to offset current period tax liabilities.

As PNG's State of Emergency (SOE) to prevent the spread of COVID-19 continues, it is likely that a number of taxpayers will face financial hardships and challenges on the path ahead. A number of taxpayers are faced with difficult choices between maintaining cash flow to continue to employ people, and to make, for example, provisional tax payments to the IRC at the end of April. Taxpayers were encouraged by the [Treasurer's address in Parliament last week](#) that Treasury and the IRC were working on deferrals of tax payments for taxpayers impacted by the COVID-19 pandemic. However, the Commissioner General's clarification does not go any further in providing a sign that any tax relief will be materially available in the short term. Unfortunately those waiting on that relief may have to continue to wait a little longer.

The clarifications provided by the Annex can be summarised as follows:

### **SWT Amnesty**

The Commissioner General has confirmed that the original conditions applicable to the SWT amnesty will continue to apply to the extended amnesty period, which concludes on 30 April 2020. It reiterates the Commissioner General's previous guidance that GST cannot be utilised to offset SWT.

### **Extension of filing dates**

The Commissioner General has confirmed that it will grant up to an additional two month extension for the due date for lodgment of corporate income tax and personal income tax returns that are already qualifying for an extension under a tax agent program. In essence, for corporate income tax returns, this means that the final date for the lodgement of taxable returns is 31 August 2020.

### **Deferral of tax payments**

The Commissioner General has provided that the "deferral of payment" measure announced was intended to align taxpayers who have already requested an extension with payment deadlines to align to the announced lodgment deferral deadline noted above. As a recap any shortfall between provisional tax paid and tax assessed on lodgment is ordinarily due 30 days after the Commissioner General assesses income tax.

The Annex does not provide clarity as to what this payment deferral actually means, and it has perhaps made this issue less clear. An inference can perhaps be drawn that the Commissioner General is providing taxpayers who may have lodged their income tax returns already the eligibility to defer any balancing tax payment until a later date, provided they can demonstrate they have been financially impacted by COVID-19.

### **Deferral of withholding taxes**

The Commissioner General has provided that taxpayers will not be subject to late payment penalties provided that tax payments are paid within 21 days after the due date for payment. This grace period for penalties will continue to apply in the IRC system until 30 June 2020. It is not clear what taxes qualify as "withholding taxes" and whether this grace period applies to payments of salary or wages tax and GST. The Commissioner General does not appear to have deferred lodgment due dates for any "withholding taxes".

### **GST refund prioritization**

Taxpayers in medical services, hospitality, tourism, manufacturing, air transport and agriculture are reaffirmed as being priority cases for GST refunds. Curiously the refunds are considered as part of a "stimulus package and not usual GST refunds". However, the Commissioner General will continue to be responsible for approving the refunds in line with ordinary practice, as taxpayers are legally entitled to refunds of GST. He has indicated that whilst verification processes will be followed, additional resources are being allocated to expedite refunds.

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

### **For more information, contact:**

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