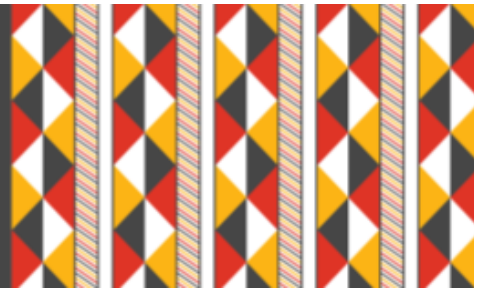




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IRC's international outreach extended

The IRC has announced they have taken a further step towards integration with the global network of tax authorities with the signing of the Convention on Mutual Administrative Assistance (MAAC). This document is part of the OECD's ongoing efforts at creating a new global tax regime based around the base erosion and profit shifting (BEPS) initiatives. This latest step by the IRC will see them gaining access to automatic exchange of information with tax authorities around the world as well as enhanced opportunities to conduct audits and investigations with the assistance of international tax authorities. Although the convention will only take effect after the ratification process is complete, membership of this convention potentially adds some momentum to the multilateral instrument (MLI) process in general as well as PNG's participation in the BEPS framework more broadly. The ability for PNG to sign up to the MAAC was obtained after a review of the IRC's processes surrounding some aspects of the use of data and they were determined to be largely compliant with the internationally agreed processes and standards.

Membership of the MAAC essentially enables the more complete participation in the common reporting standards outlined by the OECD relating to tax transparency, particularly Country-by-Country Reporting (CbC Reporting). While CbC provisions have been included in the Income Tax Act for a number of years, the IRC has suspended the reporting requirements, and has solely focussed on notification. Although the fate of the CbC provisions was not addressed in the recent announcement, it is possible that the IRC's current position may be revisited in light of the signing of the MAAC.

GST refund roundup

The administration of GST tax refunds and the refund process has been subject to significant changes, in particular over the past two years, with the prospect of obtaining a timely refund of entitlements becoming more challenging. The initial change was the limitation announced on CR1 forms to utilise GST refund amounts to meet SWT liabilities, introduced in September 2019. Further limitations on the use of tax credits from other tax accounts to offset SWT, which was outside the scope of the Commissioner General's original statements, seem to have evolved and developed as administrative practice since that time.

With the ability to utilise GST refund amounts on other taxes largely closed, taxpayers are now required to request a refund of each period in which a credit arises. Despite assessments being issued by the IRC (a step which would ordinarily indicate the IRC accepts the validity of the return lodged), refundable balances require a post assessment validation and verification as a precursor to potential refund. This appeared to be the intent behind the requirement to lodge transaction listings in a supplied format to allow a GST audit team to undertake a verification process. The requirement for transaction listings has since expanded to all refund returns and they are required at the time of the lodgement of the return.

Recently the IRC issued further separate notices associated with obtaining GST refunds and credit transfers. The first dealt with a list described as the mandatory documents required to be submitted to claim a refund of GST. The volume of data anticipated by the list is significant. In addition to the requirement for a supplier listing of all transactions with input GST credits, the IRC notice now includes copies of all contracts, all tax invoices and bank

statements. Further data is required for certain categories of taxpayer seeking refunds - for example charitable organisations must submit the IRC letter granting the organisation charitable status with any application.

A similar listing is required for requesting a GST offset, which in itself is limited in use to the payment of a GST liability arising in a separate tax period. The CR1 request also requires the supplier listing, sales income, bank statements and tax invoices. These are expressed as mandatory documents. A further notice confirmed that any GST refunds that may be granted will only be provided through bank transfer, which is in line with the IRC's earlier statements that they will move to electronic banking rather than receiving or issuing cheques. Nonetheless, the notice now states that for refunds other than GST, a cheque will be issued.

For exporters or those in a structural GST refund position, or even businesses that may have variable GST positions (alternating refund and payable months), the timely adoption of detailed procedures to produce the required documentation in an IRC format is a must in order to be in a position to obtain eventual verification. The position can be further complicated by the unpredictable impact of Section 65A GST on suppliers. The increasing levels of control over GST continues the IRC's campaign to increase the levels of collection and reflects the views that GST abuse is commonplace. Nevertheless, the overall and proportionate levels of GST collection do not yet appear to have turned the corner.

Income Tax Act rewrite

We understand that there has been further discussion and engagement between IRC and Treasury in relation to the New Income Tax Act, although no consultation with other stakeholders has occurred since the first half of 2020. The timing of any potential release of a revised draft, or whether the rounds of engagement since 2020 have considered any of the submissions received from external stakeholders remains unclear.

There is no change to the implementation timetable released earlier - Treasury anticipates that the new Income Tax Act and the Tax Administration Act will be passed and in force from 1 January 2022. Taxpayers should therefore be taking the opportunity to review their operations in light of the new draft after its release with a view to identifying the potential impacts.

IRC news

In their quest to continue to build the foundation of a robust, modern and efficient tax administration, the IRC has continued a very active campaign of regional taxpayer awareness sessions. Continuing their theme from earlier in the year, the outreach is principally aimed at entrepreneurial business and the roll out of the Small Business Tax regime. The IRC is also becoming a regular attendee of exhibitions and other trade based gatherings and events throughout the country. In addition to awareness, the IRC has also continued both internal training of regional officers as well as continued support to the finance sector of the government through more training on the application and implementation of Section 65A GST arrangements. Finally, the IRC is also pressing forward on warning taxpayers and tax officers of their strong anti-corruption stance through a range of public notices.

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

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