



December 2020

Government to contract only with compliant taxpayers

The Chief Secretary to Government recently announced through a public notice that from 1 January 2021 those wishing to contract with all government departments and agencies will need to be fully compliant with their taxation obligations. The public notice proposes that compliance will need to be demonstrated through obtaining a valid Certificate of Compliance and encourages all potential contractors to bring their taxes up to date.

While the intent of the measure is clear and is aligned with the policies of governments in other jurisdictions, the implementation of the arrangements may be challenging for a number of reasons. For example, although the Certificate of Compliance (CoC) process is an established mechanism within the IRC, obtaining a CoC is only required for those providing services in a narrow range of sectors. The IRC will review compliance and potentially issue a CoC when the applicant's primary registered activity is within these narrow sectors. Entities whose primary business does not fall within the requisite sectors have historically struggled to obtain certificates - even if they are compliant. Further, as many taxpayers will be aware, historical issues or errors, or returns lodged but not processed by the IRC can cause statements of account to appear non-compliant.

Nevertheless, as the IRC has issued its own public notice which mirrors that of the Chief Secretary to Government, they may be working on a more comprehensive CoC process, or an alternative letter of good standing type certificate that will address procurement requirements for 2021.

Commissioner General appears at PwC Taxpayer Forum

Last week PwC hosted a taxpayer forum with the Commissioner General (CG) Mr Sam Koim OBE. This provided an opportunity for attendees to hear from the Commissioner General in relation to both the IRC's achievements in tax administration over the past 12 months, as well the plans for the near and medium future. The CG described the significant initiatives being undertaken in relation to obtaining and validating data surrounding the composition of the taxpayer base and the activities of taxpayers in the market. While the IRC's ability to fully utilise the data for compliance and enforcement purposes is not yet fully in place, it is expected that the agency will continue to explore the use of data in order to realise their goal of efficient collection.

The CG also described the ongoing efforts at boosting the regional capabilities of the IRC, including real time review of revenue collection and the continuing empowerment of the various regional offices to service taxpayers closer to their businesses. The CG reiterated that he continues to see GST refunds as a risk area and he spoke to his recent initiatives in this area, for example the use of Section 65A notices. Although he recognised that it was too early to judge the success of the program, the coming months would determine whether this type of arrangement would be extended.

Another significant theme was an acknowledgement by the CG that the taxpayer experience when it came to issues such as obtaining a Certificate of Compliance, Tax Clearance Certificate, or GST refund needed improvement. The IRC continues to look to increase its headcount in order to address the question of resource constraint.

A recording of the virtual forum is available [here](#).

Budget 2021 progress

Following the recent Supreme Court decision that saw the previous Budget session of Parliament held to be invalid, the budget was for a short time not legally passed. However, with the reconvening of Parliament from 14 December, the 2021 budget has now been passed in the current session and, as far as we are aware, without revision.

More information and our commentary on the contents of the budget can be found [here](#). A recording of our Budget webcast is also available [here](#).

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.

For more information, contact:

Peter Burnie

Partner

peter.burnie@pwc.com

© 2020 PricewaterhouseCoopers. All rights reserved.

PwC refers to the Papua New Guinea member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.