

# ***PNG Pulse***

## ***Keeping you informed***



***February 2017***

### ***More budget changes***

The latest sitting of Parliament was the opportunity for the government to announce further tax changes, which were expected to address concerns raised in relation to tax changes passed in November 2016. Of concern were both potential unintended consequences arising from the original legislative amendments as well as a number of aspects of the underlying policy intent displayed through the changes.

Ultimately, the current bills have dealt with some of these concerns, but have also added to uncertainty through introducing additional changes that could again be seen as unintended consequences.

### ***Dividend Taxation***

The current bills address some of the significant concerns that arose from the original amendments issued in November. In summary:

- Dividend withholding tax is now confirmed as a final tax on dividends that are received by non-residents, resident individuals and resident trust estates. This eliminates the further

taxation or “top up” tax on dividends for resident individuals and trust estates and confirms that non-residents will not need to lodge a tax return to pay “top up” tax.

- There will be no dividend withholding tax on foreign dividends received by resident taxpayers.
- There is no requirement to withhold on dividends between resident companies.
- The previous refundable dividend withholding tax system has been reinstated – but only for dividends received prior to 1 January 2017. The intent seems to be to allow refundable dividend withholding tax balances existing at the time to be preserved.
- However, as part of the package of amendments, there has also been a change to the dividend rebate provisions. Previously these rules were designed to ensure that profits which are distributed through a series of companies are only taxed once. The effect of the rebate was that dividends (being after tax profits) derived by companies are effectively received free

of further taxation. The rebate provisions have been amended to now only apply to dividend income prior to 1 January 2017 which would mean that multiple layers of taxation will apply for dividends forming income of resident companies. This seems to be an unintended consequence and it is hoped that this provision will be further reviewed. We note that these changes to the dividend rebate provisions also means particular uncertainty for the operations of superannuation funds.

### ***Foreign Contractor Withholding Tax***

The changes to the FCWT provisions announced in November remain in place. The opportunity for foreign contractors to file an income tax return rather than be subject to withholding tax has not been reinstated. Those operating in PNG through a foreign entity should review their structure to ensure that it continues to meet their needs.

### ***Additional Profits Tax***

Amendments were introduced to give effect to the intention to expand the application of APT

to all resource projects – unless the project is subject to fiscal stability.

The amendments do not reflect any transitional rules or provide a special mechanism for applying APT to pre-existing project, although the application will be prospective only. Therefore, projects will be required to calculate their opening APT positions from the commencement of the project.

### ***Other taxes***

There are a number of other changes to the tax provisions that were introduced in the November budget bills, these include:

- A reversal of the changes introduced to the taxation of logs
- A significant increase in the threshold for the application of the “country by country” reporting provisions
- Technical changes for taxpayers who maintain substituted accounting periods
- Further revisions to bookmakers turnover tax

If you would like to know more about the most recent tax changes or any other matters that arose from the budget, 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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