



PNG Pulse

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Revocation of changes for Management Fee Withholding Tax

As reported last week, the IRC announced a significant change in their interpretation and administration of the taxation of management fees payable to non-resident entities effective 1 February 2021.

The announcement was made through a public notice and some updated language on the IRC's website and stated that a change in interpretation by the IRC of a number of PNG's double tax agreements would lead to the imposition of withholding tax on management fees payable to most of the countries with which PNG has double tax agreements. The key change was to have imposed a 17% withholding tax on management fees payable to Australia, New Zealand, Singapore and Canada.

However, as of 8 February, the IRC has revoked the notice issued last week.

The revocation states that the complete former notice is withdrawn and the application of management fee withholding tax will revert to the position prior to 1 February. This provides for 0% withholding tax on management fees to a range of treaty countries including Australia, New Zealand, Singapore and Canada.

Of course the provisions of Section 68AD and Section 155M will remain in force. These provisions limit the ability to obtain a tax deduction for management fees paid to an associated entity unless the fee is demonstrated to be determined on an arm's length basis.

The revocation of the notice removes the uncertainty arising from the previous announcement.

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

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