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IRC annual plan

The Commissioner General recently launched the IRC's annual plan that outlines their key initiatives for 2021 as well as recaps on their achievements for 2020. The core messages are consistent with the Commissioner General's statements over the past six to 12 months highlighting the reform initiatives that he has been leading. These include:

- a focus on integrity, with anti-corruption activities being stepped up and an expectation that criminal prosecutions for tax offences (by taxpayers and tax officers) are imminent
- the desire to increase the volume of data collected and to more effectively utilise this data to make timely decisions and shape further initiatives
- to promote digital transformation within the IRC for more effective collection and administration of taxpayer facing functions
- a continued focus on identifying more mechanisms to collect tax at source (for example extending S65A GST arrangements)
- restating the aim that GST will become the largest contributor to revenue collections (and highlighting the impact on increased collections from the limitation of GST credit transfers)

While much of the plan is dedicated to continued internal reform of the organisation, taxpayers will see the impacts of these initiatives in their interactions with the IRC during 2021 across a range of interactions with the IRC.

Small Business Tax

One of the IRC's major initiatives from 2019/2020 is the introduction of a new Small Business Tax regime. The amendments have been included in the Income Tax Act, but are yet to become effective. This month has seen a number of launch events with external stakeholder sessions and a two day workshop in Port Moresby to showcase this initiative. A full launch is expected in April 2021. The changes will provide a simplified regime for businesses that have annual turnover up to the GST registration threshold of PGK 250,000. The legislative changes also introduce an anti-avoidance provision to prevent the conversion of employment relationships into individuals purporting to be part of the lower tax small business regime.

Tax Clearance Certificate changes

We understand that after due consideration, the IRC has moved back to issuing Tax Clearance Certificates (TCC) with a 12 month validity, rather than the maximum six month validity that has been the case in the more recent past. It appears that this is the first tangible result of the IRC's commitment to review the TCC process as indicated late last year. However, other potential changes to potentially streamline the review process and issue the TCCs through SIGTAS are yet to be rolled out.

There was also a temporary hiatus in the processing of TCCs for management fees earlier this month following the notice issued by the IRC on management fee withholding tax, however, with the revocation of that notice, the TCC processing has resumed.

The TCC process continues to require the supply of supporting documentation which will vary in line with the nature of the TCC application. We also note that a TCC application will be reviewed and processed more speedily if it refers to a narrow type of service payment, rather than covering a range of potential supplies.

New Income Tax Act

Treasury has confirmed that another round of discussion and review has been undertaken between IRC and Treasury in relation to the New Income Tax Act. This was the opportunity to include the feedback received from the external consultation period and submissions from external stakeholders. The resulting fifth draft of the new legislation is planned to be released to external stakeholders within the coming two months, before being placed on the parliamentary legislative calendar. It is unclear whether the final draft will contain any significant changes or responses to submissions. It is also not clear whether there will be a further opportunity for external comment. We understand the 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.

Non-Tax revenue developments

The Department of Finance is in the final stages of a consultation for the introduction of a Non-Tax Revenue Administration Bill. The aim is to seek a more consistent approach to the imposition and collection of non-tax revenue charges. Non-tax revenues are those collected through fees and levies by state organisations. Historically these have been limited in nature, however, recent initiatives have either focussed on enhanced collections or have seen the introduction of new levies. Among the new levies being imposed through gazette notices are:

Levy on Securities Transactions - this has been initiated by the Securities Commission and is a levy equivalent to 0.75% of the value of transactions enacted through a stockbroker or participating organisation. The levy is imposed on either the purchaser or seller (presumably the terms of the trade will determine which party will bear the cost). The stockbroker or participating organisation is then responsible for reporting on the transaction and remitting the levy to the Securities Commission on a monthly basis.

Climate change levies - from 1 November 2020 the Climate Change Development Authority has instigated a series of levies and charges on the import or local production of fossil fuels, the import of certain chemical products and fertilisers, and international departures for foreign passport holders. These charges are generally collected by Customs through the importation process or through direct collection mechanisms.

While non-tax levies are often targeted and of limited general application, the overall expectation for non-tax collections has increased in recent editions of the budget. It is hoped that the new Non-Tax Revenue Administration Bill will provide clarity of intent and collection mechanism and consistency of the gazette process.

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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