



## June 2021

### Final reminder on tax compliance timeframes

For taxpayers registered through a tax agent lodgement program and with a December year end date, taxable returns are due for lodgement by 30 June. Also note that taxable returns will include those that have a taxable income but may be in a refund position due to the payment of sufficient provisional tax during 2020.

For non taxable returns (based on a December year end), the due date is 31 July. This is three months earlier than has generally been the due date for lodgement. While non-taxable returns will not have tax to pay, lodgement deadlines are still relevant as penalties for late lodgement may apply.

As of 15 June, there continues to be no published broad extension available from the IRC in the face of interruptions to business operations as a result of COVID-19.

### IRC notice on tax incentives and exemptions

The IRC's information campaigns continue to usefully and routinely remind taxpayers of key monthly lodgement dates. However, their communication program also identifies and provides the IRC's view on a number of other areas including a recent reminder of the mechanics of tax policy and administration with respect to incentives and concessions.

The target audience appears to primarily be other governmental agencies, departments or even state owned enterprises that are purporting to offer or enter into commitments that involve potential agreements or arrangements to alter the incidence of tax through a project contract or agreement. The notice reinforces that granting tax incentives is a matter for Parliament and appropriate legislation rather than through contractual fiat at lower levels of state agencies. The IRC notice then highlights their crucial mandate of administering the taxation regime as determined by Parliament and enacted through legislation.

The point is well made that anyone entering an agreement with an agency of the state that purports to provide taxation incentives, exemptions or concessions should carefully consider whether these items are supported through legislation, and that the pathways to access any benefits are clearly defined and determined in advance.

### IRC notice on salary packaging

This month has also seen the policy and advice section of the IRC release a "refresher" in relation to salary packaging. The notice provides some additional background on the reason they have developed what is known as the 60/40 rule as well as covering the IRC's views on a range of popular (and potentially tax efficient) benefits.

The information in the notice is generally in line with that provided in earlier tax circulars, although some of the terminology used in the notice is revised. It appears that this does not significantly alter the current practices that the IRC has historically approved, although it may be relevant for all taxpayers that currently apply salary sacrifice arrangements to review these in light of the current notice. The IRC continues to move towards a stricter view on tax administration in general, and employment arrangements are no exception.

## **IPA requirements for annual returns**

Approaching the end of June, it is appropriate to highlight that for entities with a 31 December year end, Companies Act requirements should be addressed urgently. Unlike last year, there are currently no COVID-19 based extensions or waivers of the requirements of the Act. The Act specifies that entities should prepare a set of (audited) financial statements within five months of their balance date (i.e. generally 31 May), and then hold an Annual General Meeting not later than six months after the balance date (i.e. generally before 30 June). This may differ from the month for filing of the annual return, which is as nominated by the IPA (or selected by the company itself). Extensions of time to prepare audited financial statements and hold the AGM are available through an application process, but even with an approved extension, the lodgement of the Annual Return after its due date will incur a late filing fee. Being late without an extension opens the possibility of the IPA moving to deregister the entity for non compliance.

Another frequently asked question is whether and when entities require an audit of their financial statements. All entities that are not exempt entities require an audit. An exempt entity means an entity that has assets less than PGK 5M, less than 25 shareholders and less than 100 employees. If the company meets only one or two of these requirements, the shareholder can also resolve to treat themselves as an exempt entity and not appoint an auditor.

However, it is important to note that a subsidiary of an overseas company can never be an exempt company - even if it meets these threshold requirements described above. Being a subsidiary of an overseas company will always make the company non-exempt and require an audit.

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](mailto:peter.burnie@pwc.com)

© 2021 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](http://www.pwc.com/structure) for further details.