

# ***PNG Pulse***

## ***Keeping you informed***



***March 2017***

### ***Latest IPA Actions***

Over the past 18 months, the IPA has been continuing in its quest to update records and press forward with the full implementation of its online functions. Significant progress has been made in this area and once an entity's records are up to date, the on line lodgement and account management function has become more user friendly.

As a result, the IPA is now planning to continue to increase its enforcement actions. Recently, public notices were published and a series of letters informing companies of inspections were issued for companies registered in Lae. This is similar to a campaign run last year in parts of NCD. Joint teams representing the IPA, immigration, department of industrial relations, department of health etc will be attending company premises to check on compliance. Morobe based businesses should take this opportunity to ensure that their records are up to date and files are in order. The NCD campaign led to a number of fines and penalties being issued to non-compliant entities.

The past months have also seen a significant increase in the number of penalty and offence notices being raised for failures to comply

with IPA requirements including failure to register, failure to submit a change of location or change of business activity for foreign certified businesses. Other actions have been taken against locally incorporated companies that were controlled by foreigners, but not certified as foreign enterprises. The actions are increasingly leading to significant fines for the company as well as those being levied on directors.

Finally, we also understand that the IPA intends to commence a de-registration project for delinquent companies in the latter part of 2017. Given that there continue to be gaps and errors in the historic records of the IPA, this is yet another reason to ensure that you have verified your current status with the IPA and take measures to ensure that it is up to date and correct.

### ***IRC Enforcement Activities***

The start of 2017 has seen resurgent actions and efforts from the IRC with respect to enforcement activity. Currently, we are aware that the IRC are progressing:

- a number of significant audits with respect to foreign contractor withholding tax, looking more than 5 years into the past
- salary and wages tax audits, which have included the issue of a number of

- default assessments, again covering more than 5 years into the past
- a significant increase in the issue of demand letters
- an increase in the number of garnishee notices being issued with respect to tax debts
- actions in the district court for the non-lodgement of income tax returns

In many cases, the actions continue to be based on tax account balances in the SIGTAS system which may not be fully up to date. Nevertheless, actions are commencing and without a defence from the taxpayer, they will continue. We strongly urge all taxpayers to actively manage their tax accounts.

Obtaining tax clearances certificates is also becoming a more stringent process. Missing lodgements, even of nil returns for monthly taxes that may not be seen as relevant by many taxpayers, can delay or prevent the issue of the clearance certificates. An increased focus on the management of the tax compliance function seems to be warranted.

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

The changes to FCWT legislation that arose from last year's budget amendments are now making their way through the business community.

Although the rate change (from 12-15%) seems relatively insignificant, the other aspects of the change continue to highlight quite a number of transitional issues for both parties to prescribed contracts.

Any company that has not already undertaken a review and inventory of their existing contracts should consider doing so. Some of the issues that have come to light in recent times include;

- Contracts that had not been lodged with the IRC
- Failure to identify all prescribed contracts
- The position of foreign contractors that had previously been lodging annual tax returns
- Incorrect use of "single person" foreign contractors
- Foreign contractors that are not registered to carry on business in PNG

Given the moves in the budget arose from a concern that the tax take from foreign contractor type arrangements was subject to abuse or insufficient, it seems reasonable to assume that this will be a focus of ongoing IRC enforcement actions.

If you would like to know more about these recent developments or have any other questions, 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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