



March 2022

Income tax amendments - dominant industry player levy

The introduction of the dominant industry player levy in the November 2021 sitting of Parliament ignited significant push back from a range of stakeholders across the banking and telecommunication industries that were the target of the levy.

As originally introduced, the levy was a fixed fee levy payable by taxpayers that hold more than 40% market share in either the banking or telecommunications sector. The market share is to be determined through data from market regulators (NICTA or Bank of PNG). The annual levy was set at PGK 95 million for telecommunications and PGK 190 million for the banking sector, being collected in three installments through the year. Given the current market distribution in these sectors, these levies targeted a single participant from each sector. The levy drew criticism for its design, as well as for the direct impact the additional tax burden would have on investors in the sectors.

This week in Parliament, the Treasurer has tabled a bill with amendments to the levy. The amendments now further distinguish the treatment of the two sectors. For the banking sector, the value of the levy remains unchanged - but is now payable in a single installment on 30 September each year.

However, for the telecommunication sector, the levy has been altered to a once off amount of PGK 350 million payable on 30 March 2022. Given the imminent sale of the current dominant player in the telecommunications market, the levy has essentially been recast as an exit tax. However, it continues to be imposed on the PNG operating entity and not directly on a shareholder.

While the levy remains an impost on only two taxpayers in the country, the legislative mechanisms applied to create these additional taxation obligations remain at odds with the aims of tax reforms over recent years and does not appear to meet taxation best practice in terms of equity of application, and a key goal of tax being non-distortive in its application.

Potential GST changes on the way

At the same Parliamentary session this week, the Treasurer also announced an intention to temporarily eliminate GST on selected goods. No amending legislation was presented, but the Treasurer's speech listed a range of items from all fuels, feminine hygiene products, rice, cooking oils, tinned fish and other grocery staples. The reduction will be in place for a period not exceeding six months and was announced as being put in place through legislation when Parliament reconvenes in April. Although not specified, the reduction would be expected to be achieved through imposing GST at 0% on the relevant items. Given the operation of GST through a supply chain, there could be a number of different implications for importers, wholesalers and retailers at the time of implementation of the proposed changes.

IRC updates

The IRC continues its campaign for greater taxpayer awareness through a range of publications and reminders generally published through social media channels.

This month, in addition to reminders in relation to the lodgement and payment of regular monthly taxes, the IRC chose to highlight Section 247 of the Income Tax Act which requires the payment in advance of at least 50% of any disputed tax before a taxpayer can lodge a case at the Income Tax Review Tribunal. The tribunal is available for taxpayers once an objection against an assessment to tax is considered and rejected by the IRC. Given that there is no statutory required response time for the Commissioner General to respond to an objection, the pathway to the tribunal was already a long one. The tribunal also only sits to review cases irregularly and is currently without members - which creates significant challenges for dispute resolution irrespective of the requirement to pay 50% of disputed tax before submitting to the tribunal's jurisdiction.

The IRC also continues to encourage the adoption of the myIRC platform as a way to interact with the IRC. However, there remains limited functionality available. For example, payments are only available through certain cards and lodgements are not yet available. The timetable for further functionality being available has not been released.

New tax return forms - now available

The IRC has now released the current tax return forms for companies, partnerships and individuals. The returns remain similar to previous years, however, the Form C does have an additional disclosure schedule for taxpayers that are entitled to infrastructure tax credits. The infrastructure tax credit scheme has been an area that the IRC has wanted to better monitor for some time. The addition of a specific disclosure element for the current return seeks to fill this perceived gap. There remains no formal guidance on how to complete the form and for impacted taxpayers it will require care and attention.

A more general reminder has also been issued that taxpayers should ensure that the correct version of all forms should be used for current filings. The IRC's systems are configured for the latest version of forms and failure to use the correct version may lead to distorted information being recorded in the IRC system. The most recent forms for all taxes are available from the IRC's website.

The reminder in relation to the correct use of forms, and the addition of a further disclosure schedule for the latest Form C are both indicators of the broader data trends that were highlighted in the IRC's strategic plan for the coming year. The impact of the IRC's further use of data and their ongoing efforts at further automation is going to be increasingly significant for taxpayers. The challenge of ensuring that the right information is contained in filings, and processed by the IRC will require additional attention to detail by taxpayers. It is likely the process for correcting errors will become more complex as the IRC builds their faith in their collection system. Taxpayers should continue to review their statements regularly to identify and address historical errors and outstanding matters.

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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