

PNG Pulse

Keeping you informed



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Getting up to date at the IPA

Further to our recent PNG Pulse special edition on the plans of the IPA to commence a campaign of deregistration later in the year for delinquent companies, we present below a summary of general annual filing obligations for IPA registered entities.

Firstly, it is worth remembering that the IPA actually contains two separate bodies, the Registrar of Companies and the Foreign Certification Unit. Each of these bodies imposes filing obligations that differ according to the classification of the registered entity.

Legal entities can be either a reporting entity, or an exempt entity. In general terms, an exempt entity is:

- A PNG incorporated entity that has less than PGK 5 million in assets, less than 25 shareholders or 100 employees, (please see below re subsidiaries of foreign entities) or
- A PNG incorporated entity that meets two of these criteria and whose shareholders agree that no auditor be appointed

All other entities, including PNG incorporated companies that are a subsidiary of an overseas company and foreign registered enterprises (branches) are reporting entities.

The Registrar of Companies requires each registered entity to file an annual return. Reporting entities must also include their audited financial statements with the return. However, for branches of foreign registered entities, they may apply for an exemption from presenting audited branch financial statements and if this exemption is granted, they can substitute them with audited financial statements of their parent company to accompany the annual return.

Under the current Companies Act, the Registrar of Companies allocates a filing month to each registered company. This is the month the annual return is due to be filed – unless this month does not allow the company to comply with its other obligations. If the allocated month is unsuitable, then the company needs to apply for a change of filing month.

Some of the triggers for requiring a change in filing month may include the requirement that audited financial statements for reporting entities must be completed within five months from the balance date of the company. The company's annual general meeting must then be held within one month of the finalization of the audited accounts and the annual return must be lodged within 14 days of the annual general meeting.

For example, for a reporting entity that has a balance date of 31 December: the audited financial statements should be finalized by 31 May, the AGM should be held by 30 June and the annual return lodged no later than 14 July. If this company was not allocated with a filing month of July, they may choose to change the month accordingly.

After navigating their way through the Registrar of Companies requirements, entities that are under the control of the Foreign Certification Unit will also need to factor in their reporting requirements. As has been reported in the press recently, a foreign enterprise is any enterprise that is not a national enterprise. A national enterprise is one that is more than 50% owned by a citizen of PNG unless control rests with a person other than a citizen.

Foreign enterprises must report on their status through the completion of six monthly reports. Remember that if your entity is on the list of defaulting companies, then there may be historical issues in the IPA record to correct and each situation should be investigated.

More Tax Clearance Certificate woes

The process of obtaining a tax clearance certificate has become more complex and time consuming over recent months as the IRC

makes use of SIGTAS generated reports to verify full compliance as well as limiting the scope and time period being covered by the clearance certificates. While historically a blanket clearance for 12 months was routine, the IRC has recently issued a series of letters confirming that from 25 April 2017, tax clearance certificates will have a period of validity of not more than three months.

Taxpayers should keep a close eye on the expiry dates of their clearance certificates as the time taken to obtain the certificate has also increased on average with a wait of several weeks for processing being the norm even if there are no outstanding filings or tax balances on the taxpayers' account.

The IRC has also issued additional notification that may impact upon the time for processing of the tax clearance certificates. From 11 May 2017, the IRC section receiving and reviewing tax clearance applications will only address lodgements and enquiries on Mondays, Wednesdays and Fridays. Taxpayers seeking to lodge applications or to enquire on the progress of applications will therefore need to plan their actions accordingly.

PNG perspective on the Australian budget

This week saw the release of the Australian Federal Budget. One of the highly publicized aims was to address the issue of housing affordability. The budget contains a number of measures in this regard – and some of them will be relevant for non-residents with property investments in Australia. PNG residents that have property in Australia will need to note a number of measures including:

- Changes to the application of capital gains tax on foreign residents

- Decrease in the threshold from which the foreign resident CGT withholding regime operates
- Denying deductions for travel expenses associated with residential rental property

For more details on these and other budget changes in Australia, please see www.pwc.com.au

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.

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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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