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2020 Income tax forms revised

Implementation of the multiple versions of the Form C 2020 that were originally launched in late March was subsequently revisited in April. The 2020 Form C return is now only a slight update on the prior year form. This has enabled both taxpayers and the IRC to proceed with the 2020 compliance season with more confidence and for the system to be readied for issuing 2020 assessment notices.

Nevertheless, we understand that the intention to implement additional reporting and documentation requirements for the recording and use of infrastructure tax credits may still come into place for the current compliance season. However, as yet, the forms have not been released that would require or support this updated documentation requirement.

The IRC has also not issued any new formal guidance on the current version of the form which leaves the taxpayer guides issued previously as the most relevant source for taxpayer reference in completing their returns.

GST in the news

The importance of GST to the fiscal collections in PNG has been evident for some time. The Commissioner General continues to reinforce that success in GST compliance is a key part of the IRC's platform. The importance of GST to the budgets of PNG's provinces has also been brought into the limelight recently with press reports being issued and court actions being commenced in relation to the mechanism for passing out GST funding.

As the driver of GST available to provinces is based on collections attributable to the relevant province, we can expect that the Commissioner General's program of reviewing the GST grouping provision and the identification of taxable turnover by province will continue. Although additional legislative, regulatory or advisory guidance is not yet available, we recommend that taxpayers review their accounting systems and processes for GST taxable transactions and consider whether they are structured to access and produce the information that would be required to ensure reporting is accurate.

Changes to refund process

The IRC has announced that the days of taxpayers receiving refund cheques are over - rather, refunds will be delivered through electronic funds transfer. This aligned with their earlier initiatives to encourage the payment of taxes through bank transfers rather than through the use of cheques.

The process for validation and verification of refund claims (whether for GST or corporate income tax) remains unchanged and there continues to be significant lead times in the verification process for all refundable amounts - although presumably the process within the IRC for the issue of the refund will be revised for the change in format.

Previously, following validation and an internal approval process, a balance was made available in conjunction with the Treasury and placed into a bank account from which cheques were drawn for refunds. This was to ensure

a matching of funds being available and the refunds that had been approved. With the removal of the time lag associated with issuing and clearing cheques, at least some part of the processes could potentially be streamlined, however adequate control measures will clearly continue to be required.

It is yet unclear at what stage taxpayers will be required to provide their bank account details - and through what mechanism. The IRC's announcement of the change did specify that in conjunction with account details being provided, a copy of a bank statement would need to be provided. Given the ability to follow a refund process within the IRC is limited, it will presumably be another action required of the IRC to contact the taxpayer and request bank details during the process.

Audit action for logging companies

The COVID-19 restrictions on movement and personnel have, in many cases, slowed the plans of the IRC with respect to their audit program and the potential for tax prosecutions that the Commissioner General had indicated would be part of the enhanced compliance program. However, the IRC recently announced a special program for a review into a number of participants in the logging sector. The IRC has identified that the cross border pricing of an export commodity is an area of tax risk, particularly when related parties are involved in the chain of sales from PNG to abroad.

While the announcement is of a limited program and industry specific, the tax risk identified of pricing of cross border sales and supplies is one that is well known to the IRC and is relevant for a wide range of taxpayers. The Income Tax Act contains a range of controls in relation to transfer pricing and the IRC is increasingly focussed on risks arising in this area. Taxpayers across the economy should be aware of the obligations in this area.

Tax compliance timeframes

All taxpayers should be aware that there are currently no additional deferrals or concessions anticipated in the lodgement program because of the impact of COVID-19. For taxpayers registered through a tax agent lodgement program, taxable returns are due for lodgement by 30 June and non taxable returns are due by 31 July.

The IRC also continues to provide regular reminders of filing dates and deadlines for monthly taxes (SWT by seventh day, GST by 21st day). These reminders are combined with penalties for late lodgement being imposed automatically. The scope for remission of penalties is becoming more and more narrow.

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:

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