



October 2021

IRC and a COVID-19 Code Red

Within the last few days, the IRC has announced that, due to the increasing impact of COVID-19 in the community, they have instigated certain business continuity plan restrictions. These restrictions apply to a range of provincial offices in high-risk provinces, but also to the head office in Port Moresby. Lodgement counters remain open, although the use of drop boxes will be employed. There are also limitations on in-person interactions and the ability of taxpayers to enquire at counters. There are also changes to the level of personnel present in IRC offices during the Code Red period.

While taxpayers can work around many of the implications of the Code Red through online lodgements and payments, the use of drop boxes etc, the reduced capacity in certain areas within the IRC will have an impact on other interactions. For example, taxpayers can expect that Tax Clearance Certificate applications, any objections and appeals or penalty remission matters may be subject to further increased processing times. We also understand that the scheduled field review of taxpayers in NCD that was scheduled for the second half of October and into November has been suspended.

CLRC announces a review of PIT

The Constitutional Law Reform Commission of PNG (CLRC) has launched a review into personal income taxation, and in particular the relative level of tax imposed through Salary and Wages Tax (SWT). The review invites contributions from individuals to comment and structured public consultation will be undertaken. Recently, the issue of the relatively high levels of personal income tax has also attracted commentary in the MYEFO and from the Commissioner General of the IRC. The MYEFO noted that SWT collections are expected to be down in 2021 due to the reduction in jobs in the formal sector in the current economic climate. The commentary also highlights the level of reliance on foreign workers in particular at maintaining the historical level of SWT collections. The Commissioner General has also noted the importance of SWT compliance in a time of falling employment. The timeframe for the CLRC review to be complete is uncertain, however, irrespective of the views of the commission, it would appear that a significant reduction in personal taxation levels is unlikely to be just around the corner.

GST Section 65A next phase roll out

The IRC has announced the commencement in October 2021 of Phase 2 of the project to integrate the use of Section 65A notices with government entities and departments using the Integrated Financial Management System (IFMS). This system automates the remittance of GST on payment of a supplier from a relevant entity or department. The second phase of the roll out has included 15 Provincial Governments and 15 Public Health Authorities in addition to the nearly 40 entities already on board.

The IRC has provided information that integration of Section 65A with IFMS has so far involved more than PGK 100M in cash flow moving directly to the IRC through these notices. However, there does not seem to be a straightforward solution to the challenge for service providers of obtaining Section 65A GST credits on a timely basis. The requirement for the IRC to verify the deposit of the GST amount before permitting an input credit leaves suppliers reporting their GST on an accruals basis in a structurally difficult position.

IRC new platform coming

The IRC has announced that an online service platform for taxpayers that has been under development by the IRC and NiuPay is expected to become operational before the end of 2021 and will be known as myIRC. NiuPay is no stranger to designing and implementing online platforms for PNG government departments having already completed system work for the Lands Department and the Department of Immigration.

We understand the platform will allow a more streamlined interaction for taxpayers with the IRC for a range of services including lodgement of returns and payment of taxes. The expectation is that the system will enhance efficiency for both taxpayers and the IRC, as well as providing an increased level of real time usable data for the IRC. The IRC has previously announced its intention to continue to increase the reliance on technology and data as it aims for more efficient collection and enforcement.

Given the end of 2021 is fast approaching, in order to meet the announced deadline the initial roll out may be limited and the IRC acknowledges that additional functionality will be added throughout 2022. The IRC has indicated that further details on functionality, reach, system security details, etc will be released over the coming months.

The roll out of myIRC will be a significant milestone in the development of the current tax administration. The growth in digital platforms and the movement of government services online in many developing countries has seen significant breakthroughs in transparency, efficiency and accessibility for citizens. The coming months will be the chance to see whether myIRC will follow this trend.

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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