

## ***Tax reform in the news***

Regular readers of PNG Pulse may sense that the progress of the Tax Reform Committee seems to be accelerating. Recent weeks have only confirmed this trend. Sir Nagora Bogan has made a number of presentations recently providing an update on the current work of the committee. He has presented a summary of the observations and findings that may well make their way into the report. The committee is planning to finalise and report to Parliament in mid October. Although it was stated that this timing is to match with the budget release in November, the limited time between the report being presented and the release of the budget means that it is unlikely that the budget would be able to reflect any significant issues arising from the report. The coming weeks also promise to be busy as there are still plans to release Issues Papers in the form of diagnostic review on IRC and Customs, and then papers on GST, Tariffs and Other Indirect Taxes.

The broad findings include a number of structural concerns, for example significant revenue administrations challenges with weak competencies in some areas and there is significant erosion in the level of compliance generally. Other findings look to the structure of the tax system with a view that PNG's tax base needs to be broadened, with a greater reliance on indirect taxation (eg GST) and a lowering of corporate and personal income tax rates, particularly for lower income earners. However, the news is less cheery for extractive industries with the commission finding that these industries are treated more generously than comparable countries and a finding that PNG should eliminate tax incentives that tend to cause distortion.

## ***What makes a GST invoice valid?***

As many of you will be aware, the IRC have now transitioned all tax types to the SIGTAS system. Apart from the processing and administrative changes this transition brings, it also means that taxpayers now only have one tax registration number, a tax identification number (TIN), rather than a separate registration number for each tax type. If your business provides tax invoices to clients and customers, whether manually generated or through a POS system, those invoices should now show your TIN rather than your old GS/VT number.

While updating your invoice template(s) it may also be worthwhile reviewing your invoices to ensure they are valid tax invoices under the GST Act. The details which need to be shown on a tax invoice include:

- Name, address and GST registration number of the supplier
- Name and address of the recipient
- The words "tax invoice" in a prominent place
- The date on which the tax invoice is issued
- A description of the goods/services provided
- The quantity and volume of the goods/services provided
- The total amount of tax charged and total amount payable inclusive and exclusive of GST

Along with reviewing the tax invoices your business issues it is also important to ensure invoices received by your business are valid tax invoices. A claim for GST charged on an invalid tax invoice can be disallowed by the IRC.

### ***Foreign affairs***

Although we are now well into 2015, it is still probably a timely reminder that this year has seen some changes and developments with respect to PNG's international tax treaty network. The PNG/NZ agreement has been in force since 1 March 2014 for withholding taxes, but the other provisions of the treaty have been applied in PNG for the years of income beginning 1 January 2015.

We also understand that the provisions of the PNG/Indonesia agreement which was signed a number of years ago and entered into force effective from 1 January 2015. Under this treaty, dividends are taxable at a maximum rate of 15% with interest and royalties being limited to 10% (in general).

### ***Contact us***

*For more information*

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