

PNG Pulse

Keeping you informed



IRC provides additional guidance

The IRC has recently issued a bulletin to tax agents which provides some additional administrative guidance in a number of areas. While it is not binding on the Commissioner, it remains a useful indicator of the IRC's view on potentially contentious issues arising from the legislative amendments in the 2018 budget. For example:

- The IRC holds the unusual position that the increased tax clearance certificate threshold (an increase from PGK 200,000 to PGK 500,000) is binding upon the IRC despite the requisite gazettal notice from the Bank of PNG not being in place. This is made all the more strange as the IRC doesn't really have a role in deciding who needs a tax clearance certificate and when (this is the role of the Bank of PNG). The IRC's role is to issue certificates to people that comply and apply.
- It is clear that the amendments to definition of 'resource company' in the GST Act ensure that the zero rating of purchases is limited to those for resource operations of operators and it is not available for all supplies to companies holding an interest in a licence issued under the Oil and Gas Act. However, for licences issued under the Mining Act, the definition of 'resource company' has not changed and will apply to all holders of licences.
- Despite the changes to the Income Tax Act setting out new requirements and conditions for the issue and use of a TIN, the IRC has confirmed that their requirements have not changed as of 1 January 2018. Specifically, individuals that have only salary and wages income are currently not required to obtain a TIN at this stage.
- The first Country by Country reports will be required to be lodged in 2018. Notification of the intention and requirement to lodge the report should have been lodged by the relevant taxpayers in 2017.

The bulletin also confirms that there are no changes in the due dates for lodgement of 2017 income tax returns prepared under tax agent lodgement programs. Broadly, taxable returns are due no later than 30 June and non-taxable returns by 31 October. Late lodgers (those who failed to lodge their 2016 return by 31 December 2017) do not qualify for the normal extension program in the subsequent year. The 2017 return for late lodgers is due by no later than 30 April 2018.

Finally, the IRC has also been issuing public notices to remind taxpayers that from 1 June 2018 they will no longer accept personal or company cheques for tax payments. The movement is on to electronic payments for all taxpayers.

Securities law reform and PNG Capital Markets

The integrity of PNG's capital markets is set to be strengthened under a recent package of sweeping law reforms to the country's securities legislation. The reforms are aimed to increase compliance and confidence in PNG's capital markets.

Practitioners in capital markets will be required to be a 'registered person' unless otherwise exempted. Lawyers, accountants and valuers are examples of exempted persons. New powers and responsibilities for stock and derivatives exchanges, registered electronic facility, central depository, trade repository, and clearing facilities are established.

The Securities Commission is a newly independent entity with broad powers to regulate and investigate exchange and listed entities' activities and impose levies on market participants.

The result of the reform will be that capital market licensees will now be bound by a number of additional compliance requirements, including a ban on short selling. Further, market participants should note that a prospectus will be required for issue of securities, an offer to subscribe, and applications for quotations on the stock market.

The reform also introduces regulation around the introduction and operation of a unit trust or managed investment scheme that has more than 20 members. The scheme or unit trust must be approved and registered by the securities commission.

The Minister for Trade Industry and Commerce will also prescribe a new takeovers code informed by the recommendations of the Securities Commission. Once finalised, the Commission will have the power to issue binding rulings on takeover practice and conduct. The Commission also has permanent restraining order power on takeovers, mergers, compromises or other acquisitions it considers contrary to 'national interest'.

Tax Administration Act – the move to self-assessment

One of the most significant shifts contemplated by the Tax Administration Act is to allow the system to move to a self-assessment regime. The Act proposes that tax payers lodging income tax returns, GST returns, Departure Tax returns or those associated with the Gaming Act as being returns subject to self-assessment.

Moving to such a regime has consequential implications in other areas of taxpayer behaviour, for example with respect to record keeping requirements. These measures, along with the facilitating amendments to allow for electronic filing in a formal sense will allow the IRC to align the current operational practice of the SIGTAS system and the direction of their internal reforms.

The IRC has consistently stated that there will be consultation in the implementation of the provisions of the Tax Administration Act, and this will be of particular importance with the potential changes to assessment, record keeping and potentially penalty regimes. For taxpayers in PNG, it will no doubt also necessitate a consideration of their own administration when it comes to accounting systems and on-going developments in the digital technology sphere. Given the historic challenges with respect to consultation and the wide range of topics that will need to be considered, a target for implementation of the Act by 2019 seems ambitious.

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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