



# PNG Pulse

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## April 2020 - Special Issue

### IRC's COVID-19 Phase 1 response

The IRC has now released a notification of a range of taxation measures described as a Phase 1 response to the impacts on business and the economy from the COVID-19 pandemic. The measures are released in current circumstances seen as a "mild case" scenario. Phases 2 and 3 of the tax administrative relief measures might be initiated later on depending on the assessment by the IRC of the new circumstances.

In essence, the Phase 1 measures are principally aimed at administrative processes, and do not introduce substantive policy changes. Rather, the announcements are aimed at the extension of time to comply and in some limited circumstances, there is a proposal to defer payments, or to allow the payment of tax liabilities in instalments.

The document as released has a number of uncertainties and questions for practical application and we are seeking clarification from the IRC on these matters. Nevertheless, the Phase 1 announcements can be summarised as:

#### **SWT Amnesty**

An extension of the period to participate in the current SWT amnesty. Applications are now able to be lodged through to the end of April, rather than the previous deadline which expired on 31 March.

#### **Extension of filing dates**

We understand that the aim appears to be to grant an additional two month period for the lodgement of corporate income tax and personal income tax returns that are already qualifying for an extension under a tax agent program. In essence, this may mean that the lodgement of taxable returns is deferred past 30 June 2020, however, this is not clear from the announcement.

The recent announcement to tax agents of the strict application of late lodgement penalties also now appears to be deferred for two months. However, this does not appear to apply to the penalty regimes currently in place for late payment of SWT, GST etc.

## **Deferral of tax payments**

It appears that payments of corporate income tax and personal income tax associated with the filing of 2019 returns may be able to be deferred through taxpayers entering into an instalment payment plan through until the end of 2020. The eligible taxpayers are those impacted by the crisis. Again, it is unclear how this system is anticipated to be applied in practice.

## **GST refund prioritization**

Taxpayers in medical services, hospitality, tourism, manufacturing, air transport and agriculture are listed as being priority cases for GST refunds. Again, in terms of the practical application, it is unclear whether any of the steps involved in a GST refund (e.g. desk audits, verification of credits etc) will be varied and whether a special process to identify the prioritised refunds is required.

## **What's not included**

It is important to also note that the following aspects of tax compliance do not appear to be covered by the Phase 1 announcement:

- No changes to the payment and lodgment deadlines for SWT, GST or any other regular monthly taxes.
- No impact on the timing of 2020 provisional tax payments due at the end of April.
- No changes to the administrative prohibition on the use of credit transfers for GST refunds against SWT.

We will provide additional guidance as it becomes available.

If you would like to know more about this development or have any other questions, please get in touch with your usual PwC contact.

## **For more information, contact:**

Peter Burnie

Partner

[peter.burnie@pwc.com](mailto:peter.burnie@pwc.com)

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