



April 2020

COVID-19 responses continue

A number of the institutions and groups responsible for the execution and implementation of significant elements of the [Government's stimulus package](#) have responded to the release of the package with their own information releases.

The Bank of PNG has detailed their policy response in a recent Public Notice which announced a number of measures principally aimed at ensuring and enhancing liquidity in the Kina market. The announcement included a reduction in the Kina Facility Rate, reduction of the cash reserve requirements for banks, and signalling their intention to participate in a quantitative easing program to enhance liquidity. The bank has also directed authorised foreign exchange dealers to prioritise the medical and pharmaceutical sectors as well as making currency directly available to the Department of Health to support overseas purchases. The bank will also support the government's desire that banks provide relaxation in loan repayments through adjustments to their prudential rules.

The Authorised Superannuation Funds of PNG have also released some information on the ways in which they will act to support the Government's stimulus package. They have detailed plans to support members to withdraw elements of their own contributions early, a commitment to supporting their usual payouts, as well as acknowledging their role as significant investors in the country. The ASFs also have committed to support employers with the potential waiver of late penalty interest in deferred superannuation contributions caused by financial distress at this time. However, they also note that a number of these initiatives will need legislative support through changes to Superannuation General Provisions Act and this is not yet complete.

The IPA has announced a relaxation of the requirements of the Companies Act with respect to the timing of annual general meetings and the preparation and presentation of financial statements. They are also waiving certain late filing penalties.

IRC changing means of communication

The IRC continues to signal a number of changes driven as a response to COVID-19. Most recently, they have issued a notification (through Facebook) of their aim to communicate with taxpayers through email rather than correspondence by mail. The IRC has sent emails to taxpayers to essentially test the contact information they have in their system and indicate that the claim of non-receipt of assessments or other notices will no longer be grounds to mitigate penalties. However, we understand that no changes have been made to the regulations in relation to the service of notices nor any of the legislative basis under which the IRC communicates its decisions to taxpayers. The Tax Administration Act does contain a number of provisions with respect to the methods for the IRC to communicate with taxpayers - however, this Act is yet to be made effective. The move of the IRC therefore does not appear to have any legislative force. Nevertheless, we strongly recommend that taxpayers make

documented efforts to verify their contact details as recorded by the IRC and continue active management of their tax accounts.

Superannuation and Bank of PNG

The Bank of PNG has recently been conducting an awareness exercise within NCD in relation to the obligations of employers with respect to superannuation contributions for their employees. This was the result of a data matching campaign in 2018 through IRC and IPA records. During the latter months of 2019, BPNG, IRC and IPA visited a number of these premises to require rectification of their obligations. Future non-compliance could lead to penalties including fines of up to K500,000 or a term of imprisonment not exceeding five years, or both upon conviction.

Companies that employ at least 15 employees will have obligations with respect to superannuation. Any employers that believe they may not be compliant should contact any of the authorised superannuation funds in order to bring their compliance up to date. The superannuation fund can issue a notice which includes back contributions and a penalty for late payment (which broadly represents the accumulations on late contributions). Continued non-compliance can ultimately lead to formal action by the Bank of PNG under the provisions of the Superannuation General Provisions Act.

Special Economic Zones Act

In the midst of the pandemic and charting the Government's response, the Parliament has also passed new legislation establishing a Special Economic Zones Authority to regulate the establishment and development of Special Economic Zones ('zones') in PNG. The Authority is envisaged as a powerful institution, empowered to acquire land, evaluate submissions from enterprises who wish to develop and operate a zone, and make final determinations on the granting of licences to operate within a zone.

Zones may be dedicated to any multi-use economic activity that does not contravene laws on public morality, endanger human or animal life, or violate vested intellectual property rights. The Act lists several examples of such activities, including: free trade zones, industrial parks, logistics, and science and technology parks. It also sets out the rights and obligations of developers and operators and the rights and guarantees afforded to investors.

Among the incentives anticipated are relaxations of taxation and immigration rules. The Act seems to embody a degree of wishful thinking in that it establishes one Authority to regulate all special economic zones in a long list of potential activities and regions, while there remains a lack of clear guidance on the goals and intent behind special economic zones beyond some broad policy pronouncements. The way in which this Act and these zones would interact with other legislation, and other government priorities is not clear. The timeframe for the creation of the Authority is also ultimately unclear, particularly under the current state of emergency.

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

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