

PNG Pulse

Keeping you informed



Transformational change at the IRC

The IRC continues to undergo some significant restructuring as it works towards their mission of efficiently and appropriately collecting revenue to fund government services. One of the more recent initiatives includes the creation of an Early Collections Unit. As the name suggests, this unit is responsible for ensuring that taxpayers stay on top of their tax obligations and in particular their monthly compliance cycles. The unit is divided between two teams, one monitoring lodgements and another monitoring payments. As a new unit, there are still some processes being worked on, in particular around the connections between Early Collections and Processing, however, the aim is to reduce the instances of duplication of requests and to improve the consistency of approaches to taxpayers. The IRC is engaging with stakeholders such as tax agents and is looking to incorporate this feedback into their implementation plans.

Nevertheless, as with all major organisational and cultural changes, it is not without challenges. For example, over the past 12 months the staffing of the IRC has almost doubled, meaning that many of the new IRC officers are new to their roles and there are limited experienced officers available for on-going training. As an example, the Early Collections Unit has a staff of 120 officers, most of which are new to the IRC. The IRC also acknowledges that even with the increased number of officers, they are currently understaffed and will need to continue to recruit and add resources – with the aim of recruiting a further 500 to fully implement their structure.

Finally, taxpayers should take note that the next area of focus is for a fully resourced revenue intelligence capability and improved capacity in the tax audit area.

Tax Facts and Figures

For those who have been waiting patiently for PwC to update their PNG tax summary, the wait is now over. Our Tax Facts and Figures publication has been updated and revised for all changes for the year ending 31 December 2017. The document is available on our website [here](#).

BIPT - the forgotten monthly lodgement

With the IRC continuing to contact taxpayers with details of the lodgements missing from a taxpayers' statement of account, one monthly tax type that often makes an appearance in the list is Business Income Payments Tax (BIPT).

Along with salary and wages and GST, BIPT is considered one of the mandatory monthly lodgements that all taxpayers should be making each month. The BIPT regime applies to payments made to PNG incorporated entities that operate in a number of sectors. Although the list of sectors that were subject to BIPT was reduced in 2013, it still applies to payments related to building and construction, road transport, vehicle repair and maintenance and security services.

Payments to PNG entities within these sectors will be subject to a withholding of 10% of gross invoice value, unless the service provider is able to provide a valid certificate of compliance (COC) covering the contract period. Should the withholding tax be applied, the tax deducted is required to be remitted to the IRC within 14 days after the end of the month the withholding tax was deducted. Any amount withheld can be offset against the payee's annual income tax liability.

However, it is important to note that even if no BIPT is withheld (because all service providers were able to furnish the appropriate COC for example), for the periods in which payments for these types of services have been made they should be disclosed as an 'eligible payment' in the monthly P5 form.

MYFEO released

The Department of Treasury has released the mid-year fiscal and economic outlook showing that the overall deficit is increasing against budgeted levels. This is the effect of both costs increasing and tax take decreasing – particularly corporate tax. Commenting at the release of the report, the acting treasurer has chosen to focus on the requirement to broaden the tax base as the key to increasing tax collections. Treasury is also supportive of the implementation of firmer collection actions by IRC as a way of reducing the gap to budgeted revenue levels.

The report's content will be a key input for the new government in considering plans for both a mini budget before year end as well as informing the debate around 2018 budget measures. A full copy of the report is available on the Department of Treasury's website (www.treasury.gov.pg)

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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