

# PNG Pulse



Keeping you informed

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**December 2018**

## **Budget follow up**

Although there were limited legislative changes passed in November's budget, questions have arisen around the intent of some aspects of the changes. From our discussions with the authorities, we understand that a number of matters will be clarified, for example:

- There is no intent to change the current practice of allowing GST credits to be offset against other tax liabilities - for example SWT.
- There was also a renewed commitment that while tax credit transfers between different TINs would be generally unavailable, there would be some limited circumstances in which such transfers will be allowed. For example, transfers between group entities. However, the IRC administrative controls to allow these exceptions are yet to be established.
- The reverse charge GST provisions applicable to resource companies which were not repealed when they lost their zero rating on inputs was an inadvertent omission. There is no intention for a double GST charge to apply in these circumstances.
- The legislative changes to reduce the period for loss carry forward were intended to be of prospective application, although the drafting of the amendment did not achieve this aim. The intent is for losses incurred in years from 1 January 2019 will be subject to the new reduced limits, however, previously incurred losses will continue to be available in accordance with the laws in place at the time they were incurred.

Where legislative change is required, then technical amendments will be prepared and submitted to Parliament - although likely not to be in place by 1 January 2019. We can also look to the IRC to issue their views in the upcoming Tax Agents Circular.

## **IPA updates**

The IPA have recently published a Public Notice as part of the move to encourage regular users of IPA's registration services to lodge applications online rather than file paper forms at the IPA counter. The IPA will no longer accept paper lodgments from categories listed below from 1 January 2019:

- individuals who are authorised to file documents for more than ten different proposed or registered business entities with IPA;
- registered corporate entity(ies) authorised to file documents on behalf of a proposed or registered business entity with IPA;
- proposed or registered business entity(ies) that has/have foreign owners; or directors and/or shareholders; and
- proposed or registered overseas business entity or its authorised representative(s).

To further encourage use of the online registry service, the service has been enabled to instantly update certain records as they are lodged online. This means an officer is no longer physically required to review the application. The following business services no longer require review by the IPA on lodgement:

- Change of Registered Office and Address for Service
- Maintain Directors and Secretaries (new appointments or to update existing records)
- Maintain Shareholders (transfer of shares or issue new shares)

It is timely, given that the IPA are strongly encouraging the move to online lodgements, to ensure that your company's annual return filings are up to date. Under the Companies Act, companies who have not filed their annual return by six months after the allocated online filing month may be deregistered. If the company is deregistered and wishes to be reinstated, the company is required to lodge all outstanding annual returns and pay the applicable annual return filing fee including the late lodgement penalty of K1,000 per return. A reinstatement fee of K3,000 is also due. Additionally the company is required to give Public Notice of the reinstatement in a national newspaper and the National Gazette which is also the company's cost.

### **Strengthening revenue agencies for 2019**

As we enter the new year, we can expect more targeted initiatives from the IRC. The 2019 budget again contained funding for specific measures directed at strengthening the revenue authorities and thereby enhancing revenue collection. In addition to a significant revenue boost anticipated from the creation of the Large Taxpayer Office additional measures for the IRC will include:

- dedicated Project Management Office will be created to oversee the implementation of the Medium Term Revenue Strategy
- Taxpayer Services Unit to develop educational material and improve compliance
- increased attention to the HR needs and effectiveness within the IRC.

Customs is not forgotten in this area with a program to strengthen post clearance audit.

Although not entirely clear, the role of the Project Management Office may well also include executing one of the other significant commitments that was made in the budget - public consultation on upcoming revenue policy areas arising under the Medium Term Revenue Strategy. If this is the case, then the PMO should expect to have a busy year as policy development areas will include a potential capital gains tax, simplified SME taxation as well as the activation of the Tax Administration Act. Hopefully there will be more details on the consultation program forthcoming in the new year.

### **New lease standard IFRS 16**

With many organisations focusing on implementation of the new financial instruments and revenue standards, don't forget that 1 January 2019 will see the new leasing standard become effective.

IFRS 16, 'Leases' replaces IAS 17 and will have a significant impact on accounting by lessees. The previous distinction under IAS 17 between finance leases and operating leases for lessees has been removed. IFRS 16 now requires a lessee to recognise a lease liability representing future lease payments and a 'right-of-use asset' for virtually all lease contracts other than those with short life or for low value assets. Entities with operating leases (including property leases) will be impacted by the requirements to recognise the leases on the balance sheet.

The amount of effort required to implement IFRS 16 is potentially significant and therefore the importance of planning for the implementation and the impact of the new standard, including informing stakeholders of the impact on the reported results is paramount.

Organisations should:

- develop an implementation plan
- determine how the new standard will affect their future financial reporting, including half year reporting to stock exchanges where applicable
- determine the impact on compliance with loan covenants or regulatory capital requirements, future tax liabilities, the ability to pay dividends and employee incentive schemes
- identify changes to systems, processes and internal controls that will have to be made.

## **Year end reminders**

Finally, before we say goodbye to 2018, we would like to remind Pulse readers of a number of items that may need to be actioned over the coming weeks.

- Month end taxes - SWT for December will be due on Monday 7 January. Make sure you have payment planned and in hand.
- Personal Income Tax rate changes - there are changes to tax free thresholds and the lowest income tax band effective 1 January 2019. Should employers have a pay period that extends across 2018 and 2019 then this change will need to be factored into calculations.
- Country by Country Reporting - 2017 reports for those with December year ends are due by 31 December 2018 and notifications for 2018 are also due by 31 December.

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.

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

Peter Burnie

Partner

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

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