

# ***PNG Pulse***

## **Keeping you informed**



### ***Shaping the future***

The Department of Treasury has announced they are welcoming pre-budget submissions from the public for consideration as part of the 2019 Budget preparations. Submissions are due by 31 May 2018. PwC has for many years been making submissions to Treasury for consideration in the budget process and we will again be submitting a range of matters. Our submissions are generally targeted at technical adjustments to facilitate the current intent of the legislation, administrative revisions to ease the cost and complexity of compliance, and we also provide submissions in relation to policy matters.

In last year's budget about half of our submissions made it into the legislative amendments. However, we will be continuing to press for more changes, including the alignment of lodgement dates for monthly compliance as a precursor to simplification of the compliance process.

The past several years have seen some significant changes introduced as part of the budget with some initiatives having wide ranging impact. It is also probably fair to say that the way in which a number of the changes were drafted and introduced has caused confusion and consternation amongst taxpayers (for example the changes, and then revision to the changes in dividend withholding tax provisions). Hopefully this year the process will see an enhanced level of consultation. Such consultation should ensure that legislative changes introduced as part of the budget process will be as effective and efficient as possible.

### ***IRC audit activity***

We are seeing increasing signs of specific campaigns and programs being run by the IRC in the audit and enforcement area. In addition to the range of data matching audits that have been undertaken in the area of salary and wages tax where the IRC has used data from immigration to generate SWT tax assessments, we have also noted a range of default assessments for SWT which, according to the IRC, have been based on transactional data from bank accounts.

Enhanced enforcement remains a priority for the IRC and taxpayers should continue to be diligent in monitoring their statements of account and their general level of compliance.

### ***Tax Administration Act***

In the 2018 National Budget the Government released the Tax Administration Act which it is intended will come into operation in 2019. The intention of the Tax Administration Act is to streamline the tax administration of all taxes for which the Commissioner General of Internal

Revenue is responsible. This is the first of a series of PNG Pulse articles in which we will examine a range of provisions of the Tax Administration Act and their potential impact.

One such aspect is the provisions surrounding Tax Identification Numbers (TIN). These provisions, while included in the Tax Administration Act are also replicated in the current Income Tax Act through amendments introduced from 1 January 2018. Therefore, the issues raised below are already potential concerns.

The Tax Administration Act will require a taxpayer who commences an activity which may result in the taxpayer being liable for tax under a tax law to apply for a TIN. There is no time frame given for when the application is to be made.

As currently drafted, the only exception to the obligation to apply for a TIN is a non-resident taxpayer whose only tax liability is income tax collected as a final tax under the Income Tax Act 1959. As income tax does not include dividend (withholding) tax and salary or wages tax it appears all individuals will in the future be required to have a TIN as will all non-residents whose only connection to PNG is to be a shareholder in a PNG company. Similarly, it appears all individuals whose only income is salary or wages will be required to have a TIN.

Once a taxpayer has been issued with a TIN the taxpayer must notify the Commissioner General in writing within 28 days of changes occurring in information relating to the taxpayer including the person's name, physical or postal address, constitution or principal activity, banking details and electronic address for communication.

The TIN must be used in the following ways:

- On tax returns and other documents lodged with the Commissioner General
- Supplied to a withholding agent responsible for payments made for the purposes of any tax law
- Supplied to a financial institution when opening a bank account
- Supplied to a Government Department or Public Authority as required

Therefore, based on the bill a large number of taxpayers may be obligated to apply for a TIN even though their tax liability is based on a final withholding. It is possible this is an unintended consequence of the drafting of the Tax Administration Act and we will be raising this with Treasury and the Internal Revenue Commission.

### ***Bank of PNG and foreign exchange monitoring***

The Bank of PNG has recently announced additional reporting requirements for those who maintain an authorised offshore bank account. In addition to the current reporting on a monthly basis of inflows and outflows through the account, the new requirement now seeks a rolling quarterly forecast for each account. The forecast requires account holders to estimate their flows under the categories of loan payments, contractual service payments, non-contractual service payments and import payments. The form requires listing of individual suppliers and payment amounts to derive the total rolling estimates for each category.

The introduction of the forecast appears to add further levels of scrutiny on authorised account holders and is yet another indication of the importance of understanding and monitoring the foreign exchange requirements in PNG and ensuring that companies with authorised accounts meet the requirement to maintain their authorised status.

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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