



February 2020

IPA action

January has seen the IPA take action with respect to the list of companies that had been identified as non-compliant with their obligations. The agency has published a notice confirming that nearly 5000 entities have been removed from the register. The implications for those companies removed from the register include the vesting of the company's assets in the IPA, the closure of bank accounts with the balances being swept to the IPAs account and the cancellation of other licences or permits associated with the entity (for example work permits and visas). The Companies Act provides the mechanism through which the assets of companies that have been removed from the register are administered with the IPA now having the responsibility to work with holders of security or other claimants over the remaining assets.

The IPA has also pledged to continue its review of the register and will be identifying a further block of companies that will be removed if their compliance is not up to date. We understand that this further removal exercise will likely take place in March 2020. While it is possible to reinstate a company to the register, we would recommend that efforts are made to understand the IPA compliance requirements and ensure that the responsible corporate officers take remediation action if required.

IRC 2020 Annual Work Plan launched

The Commissioner General of the IRC has been confirmed as Mr Sam Koim, coinciding with the launch of the commission's 2020 work plan. As indicated through the budget commentary from recent years, the IRC is a key agency in executing the Government's plan to enhance tax collections, to provide a broader based tax system, and a more stable source of funding for the nation's budget.

The work plan brings together a number of the ongoing streams of work within the IRC around transformation and reform of the commission. Initiatives continue in the areas of improving taxpayer services, with plans for continued awareness sessions and further publicity of the obligations of taxpayers. In the digital sphere, the plans for a new integrated reporting system continue. Revenue collection is also a priority area with increased focus on areas identified as sources of tax leakage or tax evasion.

Nevertheless, the challenge remains significant for the IRC. Recruiting, training and retaining adequate levels of staff is a continuing goal for the commission. Expectations from Treasury, the government and the wider public for a rapid turnaround in collections levels is high. We should also hope that engaging in adequate public

consultation around policy and administrative changes and ensuring the accuracy of data used for measurement and reporting will also be part of this year's focus.

Technical fixes to budget legislation

Work is ongoing between treasury and IRC officials with respect to the technical fixes to tax bills tabled and passed in parliament last year as part of the budget process. The areas being addressed include:

- clarification of the intent around the carry forward loss provisions (7 year and 20 year limitations introduced 2018)
- clarification of the applicable date for the change in thin capitalisation provisions for resource companies
- alignment of the dates for provisional tax for taxpayers on all year ends
- additional clarification on some elements of the SME tax regime announced in 2019.

The revised bill is expected to go before parliament in the next session. The drafting, review and ultimately the passing into law of these amendments is to be welcomed. The extent of consultation in relation to the revisions is also hopefully a sign that further consultation on future draft legislation will also be enhanced.

Tax return lodgement program 2020

The 2020 Gazette notice containing the details of taxpayers required to file a tax return and the filing timetables for those returns was released in January 2020. As in previous years, the IRC requires returns from most taxpayers by 28 February - unless the taxpayer is included with a tax agent lodgement program which may provide a later lodgement date. The details of the 2020 tax agent lodgement program were released recently and there a number of changes that need to be considered:

- 2019 returns are granted an automatic extension of time for lodgement through to 30 April (if lodged through a tax agent)
- further extension for tax payable returns can be granted through to 30 June at the latest
- non taxable returns (i.e. for loss companies) are expected to be completed and filed by 31 July.

This last date is new for the current year. In prior years, non taxable returns were able to be lodged under an extension through to 31 October. The IRC also indicates that:

- late lodgers (i.e. those whose 2018 return was not lodged by 31 December 2018) will not enjoy any extension beyond 30 April
- the granting of extensions is generally subject to a taxpayer not having outstanding matters with the IRC for which arrangements have not been made
- returns will not be considered as final and lodged unless they contain a balance sheet, profit and loss, and notes to the accounts. All attachments to returns must be signed or the return will not be regarded as lodged.

The IRC has also indicated that all automatic penalty systems will be activated in the lodgement system from 1 April 2020. We understand that this will mean the automatic imposition of penalties for the late lodgement of income tax returns (which has not been the case until this year).

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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