

PNG Pulse

Keeping you informed



Annual reconciliations due

As the first month of 2018 is quickly passing us by, it is timely to remember that annual withholding tax reconciliations are due to be lodged in February and March.

The reconciliations due for the year ended 31 December 2017 are:

Tax type	Due date
Business income payments tax	15 March 2018
Dividend withholding tax	28 February 2018
Foreign contractor withholding tax	28 February 2018
Interest withholding tax	28 February 2018
Management fee withholding tax	28 February 2018
Non-resident royalty withholding tax	28 February 2018
Prescribed royalty withholding tax	28 February 2018
Salary or wages tax*	14 February 2018

*Employee statements of earnings (SOEs) are due for lodgement by 31 January 2018 though we note that it is not mandatory to provide SOEs to employees and these only have to be provided upon request.

The reconciliations are clearly required where an amount of the relevant withholding tax has been withheld during the year. Further, taxpayers registered for salary and wages tax and/or business income payment tax are required to lodge an annual reconciliation for these tax types even where only nil remittances have been lodged throughout 2017.

However, the position with respect to “nil” reconciliations for other taxes is less clear. While we understand that nil reconciliations are not strictly required for these other taxes, in many cases, consolidated statements of account will identify annual reconciliations as outstanding if not filed. In these cases, missing lodgements can trigger adverse consequences such as demand letters from the IRC or delay the issue of tax clearance certificates or certificates of compliance. Taxpayers should therefore consider filing reconciliations in line with the accounts represented in their consolidated statement of accounts with the IRC.

Tax clearance certificates

As reported last year, the 2018 budget papers proposed a change in the threshold requirements for obtaining a tax clearance certificate. The threshold was increased from an annual PGK 200,000 to PGK 500,000.

However, while the change was anticipated to come into force from January 2018, the required changes to tax regulations and gazette notices are yet to be put in place. Therefore, the threshold is yet to be lifted. Taxpayers who may have considered that the new threshold would defer or eliminate the need for a tax clearance certificate may still wish to consider bringing forward their application in order to ensure that their ability to support remittances will continue.

Salary sacrifice and remuneration policies

The start of the calendar year is often a time when employers and employees are putting in place and implementing the salary sacrifice elements of remuneration policies and setting up payroll and other systems to support salary and wages tax compliance. Employers need to be mindful that these arrangements are variations to employment arrangements and total employee remuneration and should be documented accordingly.

As noted in the IRC's circular on salary and wages, for a salary sacrifice arrangement to be considered effective it should be established in advance and meet the required structure and documentation requirements applicable to the particular benefit. The IRC also maintains a view in relation to a relative "safe harbour" rule on the overall acceptable level of salary sacrifice. The relevant documentation arrangements will depend on the nature of the benefit, with the most popular being accommodation, school fees, motor vehicles and superannuation.

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.

Contact

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