

July 2019

IRC administration tightens

The IRC has been working with its data sources for some time to identify and target taxpayers with outstanding liabilities and lodgements. This has included direct contact through dedicated departments at the IRC, including the Large Taxpayer Office. However, increasingly, ongoing compliance is also monitored and required in all situations in which the Commissioner General acts at its discretion or an administrative requirement is being exercised through the actions of the Commissioner General.

For example, applicants seeking a Certificate of Compliance or a Tax Clearance Certificate have long had to ensure that their records are up to date or at least there was evidence that ongoing disputes or account errors were under active discussion with the relevant IRC personnel. However, historically the existence of an overall credit balance was generally sufficient for the IRC to be able to issue the certificate. The control at the point of application appears to be strengthening with recent examples of the IRC requiring the resolution of outstanding issues (even those previously notified and potentially in dispute) before the issue of the relevant certificate. Further, applications for remission of penalties, seemingly irrespective of the reason for the imposition of the penalties, now also appears to be subject to the clearing of any outstanding balances and issues on a taxpayer's accounts.

While there is no denying that this is a positive step in mitigating the risk of revenue leakage, it does put a greater onus on the taxpayer to actively monitor their tax accounts and the status of the IRC's records of tax compliance. The challenge is that despite an improvement in the overall quality of data in the SIGTAS system, there continue to be situations in which the data reflected in the IRC records will be incomplete or inaccurate. Therefore, we continue to strongly recommend that taxpayers actively monitor and manage their compliance in order to reduce potential delays or additional actions associated with potential non-compliance.

Increasing IRC's international connections

Although the full implementation of the OECD's BEPS initiatives, including Country by Country Reporting is not yet consistently in place, efforts continue to ensure that PNG joins the international tax community and is able to fully participate with the growing number of developments in multinational tax control.

Recently, the IRC was subject to a peer review to gauge its level of preparedness for increased participation in the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum). The Global Forum is a multilateral framework for tax transparency and information sharing, within which over 150 jurisdictions participate. The Global Forum monitors and peer reviews the implementation of international standards applicable to the exchange of information on request (EOIR) and automatic exchange of information between tax authorities.

The IRC is on track to further increase its participation in the global sharing of tax related data during 2019 as it demonstrates that it meets the global standards required in areas such as the conduct of audit programs, maintaining data security and adherence to anti-money laundering expectations.

Provisional tax

The end of July is the due date for the payment of the second instalment of provisional tax for corporate taxpayers for 2019. Many corporate taxpayers would have lodged their 2018 returns by 30 June 2019 and the second instalment of provisional tax may be influenced by the assessment of this return as provisional tax notices continue to be generated based on the most recent tax period assessed.

Unfortunately, where the 2018 final tax position is greater than the tax position used to generate the first provisional tax notice, the system continues to generate penalties as it retrospectively allocates the re-calculated amount equally across the three provisional tax instalments regardless of the fact that the due date for the April 2019 instalment has already passed. This will be the case even if two thirds of the total provisional tax liability is effectively paid by the end of July. Further, the IRC's current practice is that the penalties generated in this manner will be unable to be remitted until the final assessment of the current year - for most taxpayers, this will be after June 2020.

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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