



## July 2022

### IRC's mid-year report

As part of the IRC's continuing trend of providing updates on their strategic plans and achievements (which remains a welcome development), their mid-year report for 2022 was released in early July. The highlights were the level of collections for the half year, with a headline over delivery of the half year budget by PGK 1.25 billion. By far the most significant contributor to this over budget achievement was the collection of Advance Payment Tax from mining and petroleum companies, largely due to the increase in commodity prices from the time of the preparation of the IRC budget through to today. As the IRC had previously reported, a record collection occurred in May 2022. While global resource commodity prices remain strong, collections above the rates in recent years would be expected to continue.

Elsewhere, the news was mixed. In the budget projections for 2022, GST was expected to be an area of growth with the budgeted collections between 2021 and 2022 increasing by around PGK 1 billion. However, GST collections are running behind budget and SWT collections are flat. For exporters and those working towards GST refunds, the announcement that PGK 109 million of GST refunds were processed in the first half of 2022 is perhaps less welcome news. The IRC notes that the level of claims has not declined, but the "more stringent measures" are the reason for the relatively low level of refunds.

Other items covered in the mid-year report included renewed commitments to advancing the IRC's digital capabilities, continuing internal restructuring, and expanding its range of regional offices to aid collections. Although there is little information on the timeframe for the delivery of a SIGTAS replacement, it continues to be a goal of the organisation, as does the initiation of a further GST monitoring or review technology solution. The IRC has also restated that it maintains its (new) position on the Management Fee Withholding Tax (MFWT). However, we understand that the IRC continues to coordinate and communicate with treaty partners in relation to whether the IRC's view can be implemented. As noted previously in PNG Pulse, the position espoused by the IRC does not appear to align with international norms and tax treaty interpretations.

### New legislation on the way

The long running story of the rewrite of the Income Tax Act (ITA) may be coming to its final chapter. We understand from the Treasury that there is an intention to bring the Tax Administration Act (TAA) into effect during the fourth quarter of 2022, a timeline that is also acknowledged by the IRC in their recent mid-year report. Bringing the new TAA into effect is a precursor to the new ITA potentially reaching the floor of Parliament during the November budget sitting and if passed, coming into effect from 1 January 2023. It remains unclear whether there will be further public consultation on the new ITA, despite the significant number of uncertainties after the last consultation period in 2021. In particular, transitional provisions, the taxation of the resource sector that is not fiscally stabilised and lingering concerns over changes to the taxation of employee benefits remain. Nevertheless, it is perhaps time to review again the potential implications of the current draft of the new ITA.

## **My IRC**

The IRC's online platform for engagement between taxpayers and the IRC was launched in late 2021. The plan was always to have been an initial launch phase with functionality growing over time. Recently the IRC has again been encouraging taxpayers to participate, although functionality remains limited - and it remains particularly challenging for corporate taxpayers to make use of the platform as it currently stands. By the IRC's own numbers disclosed in their mid-year report, around 1,700 taxpayers have registered, including 79 tax agents. However, only 377 taxpayers have interacted with the payment functionality of the portal. The main limitations for corporate taxpayers continue. The registration process requires identity verification traced to an individual (100 point check) which does not appear to suit most corporate taxpayers. Each entity registered under a TIN requires a unique MyIRC account and a unique email address and log in, which is challenging for taxpayer groups. The payment portal only works with the payment of taxes through a range of credit cards - again not general practice for corporate taxpayers. There remains no lodgement function under the platform and no functionality to obtain statements of account, to pursue queries, or to interact on other ongoing issues for taxpayers. Nevertheless, the platform continues to be a key strategy of the IRC. Therefore, it is useful to note that taxpayers that are part of a tax agent program can join by being included under their tax agent's MyIRC registration without themselves joining MyIRC.

## **IPA news**

Joining in the trend of agencies issuing progress reports on their activity, the IPA recently published a mid-year review that highlighted their achievements towards their 2021-2023 strategic plan with a view to setting their new strategic goals for next year and beyond. Within the scope of its role as the Registrar of Companies, the IPA told of its continuing commitment to digitalisation with the importance of the online registry system. Better internal use of technology as well using it to better integrate with other agencies to allow common approaches remain key goals. The IPA report also highlights the need for the agency to have secure revenue streams to support itself and indicated that they were continuing to look for additional avenues. However, there remains no further information on the timing for the operationalizing of the latest amendments to the Companies Act that were passed in February 2022.

## **IMF Article IV report**

After a COVID-19 related hiatus, June 2022 saw the conclusion of the latest consultation with PNG. The IMF reviews a range of macroeconomic inputs and comments on the current and future direction for PNG's economy. The conclusion was that the medium-term outlook is positive, supported by the resource sector (although they predicate at this position on an assumption that Porgera will reopen in late 2022) and the Staff Monitored Program in place has been executed satisfactorily. Fiscal consolidation remains a main policy priority and fiscal consolidation is required to boost debt sustainability. The IMF also saw further opportunities to raise resource sector revenues and encouraged the adoption of a moderate ad valorem levy on future resource projects. On monetary policy, they view the kina as overvalued in real terms and urge the development of a plan to gradually allow greater exchange rate flexibility and remove exchange restrictions.

If you would like to know more about any of these developments or have any other questions, please get in touch with your usual PwC contact.

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