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IRC update

The past month has seen a number of new and continuing initiatives from the IRC being publicised.

As we are well into tax return filing season for taxpayers with a December year end, the IRC's recent commentary on lodgement deadlines is particularly relevant. Those who are registered with a tax agent can participate in the tax agent lodgement program that currently allows most taxpayers with taxable returns to lodge by 31 July. Those with non-taxable returns are due on 31 August. However, the IRC have highlighted their concerns with taxpayers not meeting their filing obligations in a timely manner. The IRC has reminded taxpayers that it can utilise any information available to them in order to issue deemed assessments for those who fail to lodge their tax returns. The focus is particularly on those characterised as late lodgers. A late lodger failed to file their income tax return within the following calendar year. This also means that the taxpayer is no longer able to benefit from further extensions. As an example, for those whose 2022 return was not lodged by 31 December 2023, the taxpayer risks a deemed assessment and the 2023 return is due for lodgement at the end of February 2024.

The IRC has also taken the opportunity in recent weeks to highlight what they see as concerning trends in a range of tax filings. For GST, they highlight significant differences between turnover for GST and income tax purposes, the risks associated with related party transactions not matching and not all income being returned for GST purposes. The IRC focus on GST as a significant source of tax collection is certainly continuing. Taxpayers should take time to understand their tax basis for GST and income tax purposes and look to undertake regular reconciliations.

The IRC is also actively participating in a range of public outreach activities - some focussed on taxpayer awareness directly, however their participation in other events (such as a recent seminar undertaken by the Independent Commission against Corruption (ICAC)) also speak to their desire to be integrated within the economy in a proactive manner to enhance the level of tax compliance more broadly.

Finally, as has been their strategy over the past few years, the IRC has also highlighted their understanding of areas of concern within industry sectors. Building on initiatives such as Project Masta, the IRC has also highlighted their intent to look at the perceived mismatch between the increase in mineral export receipts (a PGK denominated measure of sales from the sector) against collections of dividend withholding tax from the resource sector. Resource taxpayers should note the comments of the IRC in this area.

While the resource sector has been an area of focus for some time for the IRC, the most recent indication is that the legal profession is also on notice. The IRC released a statement that describes a number of observations that, for the IRC, indicate potential gaps in revenue collection. In the case of both the resource sector and the legal sector, the IRC has announced that programs and reviews are in place to target these perceived areas of compliance risk. The message is clear that proactive measures from the IRC are an ongoing feature of the tax landscape.

Customs plans released

PNG Customs recently launched their corporate plan for 2024 -2028. The document looks to establish the priorities for investment and further development for the authority, with a recognition of the challenges presented by growing transnational crime and the increasing volume and complexity of trade. The plans for development appear to be centred on systems and processes with promised advancements in strategy and governance, implementation of trade agreements, and improved compliance and enforcement through better risk management.

One element that is prevalent throughout the plan is how Customs will seek to deal with the implementation of Special Economic Zones (SEZ) throughout the country. Developing a policy framework and adequate resourcing to control SEZs is one of the key outcomes for the plan. Other key outcomes include border security, trade facilitation, and revenue collection. The plan notes that over the past five years, revenue collection has grown at 6.5% annually, which is in excess of the average GDP growth for the same period. This trend of collections exceeding broader economic growth is expected to continue as Customs continues to combat black economy activities.

Public finance payment portal

As part of the ongoing efforts at modernisation of the PNG government, the Department of Finance has launched a payment portal for collection of non-tax revenues. The aim is to provide an online gateway for citizens to make payments for government designated services through a secure online portal and obtain receipts accordingly. Currently the system is in a pilot phase and access for citizens at least with only NCDC being linked and even within the province, only the Royal PNG Constabulary being a supported service. This appears to mean that if you are looking to pay the fee associated with obtaining a police clearance, or a driving test, or a firearms permit - then payment can be made online with a receipt being issued accordingly.

While a move to seamless e-government could still be some way in the future, the piloting of a technology based solution for citizens to deal with a broad range of government agencies is something to be watched with interest.

Sustainability reporting in focus

Among the range of issues described in the recent [PwC Global Investor Survey](#), sustainability reporting is of growing importance. The discussion around sustainability reporting has progressed significantly, but also fragmented as different countries bring a range of different proposals to bear. For PNG, as a smaller economy hosting a wide range of foreign invested entities, this complexity will bring challenges as local operations seek to access the appropriate data and implement business processes that will enable compliance. As a response to this challenge, PwC PNG welcomes a new partner, Jordan Yen who will be leading our response in this area.

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.

For more information, contact:

Peter Burnie

Partner

peter.burnie@pwc.com

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