

PNG Pulse

Keeping you informed



Changes in use of taxes paid as transferred credits

One of the core elements of the current tax administration system (SIGTAS), has been the credit transfer feature which is implemented through the use of a CR1 form. This is a core element of the system as SIGTAS effectively treats each tax period as a distinct tax outcome with the resultant tax payable, or tax refundable needing to be dealt with through either payment or using the refundable amount to meet a liability that arises under another distinct tax period. For example, a GST refund in one month will not be automatically applied to a GST payable in a subsequent month and penalties can accrue on tax account that are actually in an overpayment situation in total.

The answer has been to utilise the CR1 forms to ensure that overpaid taxes or available excess GST balances were then transferred to outstanding liabilities. The forms have been used within a single taxpayer (e.g. to utilise a GST refund to pay a SWT liability), but the practice to date has also been to enable the use of the CR1 form to transfer credits between taxpayers as well. For example, a GST refund from Company A being utilised to offset a tax liability in parent Company B. However, the IRC has changed their policy to now prevent the use of a CR1 form to transfer credits generated under one TIN to be used in another TIN. While we understand that ultimately a number of inter-company transfers will be permitted (e.g. between members of a GST group), this will be implemented once a determination is made by the IRC on the use of CR1 forms. More formal guidance on this as well as other tax administration issues is to be welcomed.

Structural changes to the IRC

As part of the ongoing efforts within the IRC to enhance their administrative capability and improve collections, plans continue to establish a Large Taxpayer unit. Generally, this should be a positive change for those taxpayers that ultimately are determined to come within the scope of the unit and it reflects a trend to implementing a “one stop shop” for large taxpayers in other jurisdictions. The plan would be for large taxpayers to have a single point of contact through an experienced IRC officer that will be responsible for interactions between the IRC and the taxpayers. This system should introduce efficiencies for both the IRC and the taxpayers in meeting their tax compliance obligations.

As yet, there is no formal notification on which taxpayers will qualify to fall within the large taxpayers unit and what would be the criteria for selection. Nevertheless, we would hope that taxpayer groups or related entities will be considered as candidates for the unit based on their group metrics rather than on a single entity basis.

We also understand that those taxpayers that will be migrated to the unit will need to be up to date with their compliance as well as having no outstanding issues with their tax accounts. Therefore, the incentive is there for those who may consider themselves as large taxpayers to ensure compliance is up-to-date and the onus is very much with the taxpayer to ensure that their tax accounts are reconciled with no outstanding issues.

2019 Budget submission

The end of May saw the deadline passing for submissions from the public to treasury officials with respect to issues for consideration in the preparation of the 2019 National Budget. The budget is generally handed down in early November each year, but is a work of a number of months by the treasury. Given that this November will also see the concluding events of APEC – we are yet to hear whether this will impact on the timing of the delivery of the budget. Nevertheless, PwC has made its submission with particular reference to the revenue side of the budget through taxation matters.

As in prior years, we have identified a number of taxation issues that can be grouped into administrative policy or technical matters. Administrative matters focus on suggestions that we believe would improve the compliance experience for both taxpayers and tax authorities. For example, a recommendation for alignment of the monthly filing dates as a pre-cursor to having a single simplified filing for monthly taxes. We also highlighted the importance of further consultation on the implementation of the Tax Administration Act that was included in the 2018 National Budget.

Policy matters focus on tax items that we believe could be addressed to give effect to current government policies and finally we provide examples of what we consider are technical fixes required to either clarify the impact of the legislation or enable the stated government policies to be appropriately reflected in the tax act. This year, our suggestions include issues surrounding employee benefits, foreign contractor withholding tax, and exploration expenditure for resource projects.

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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