



## June 2022

### IRC and IPA filing timelines

As the majority of PNG entities have a financial year that tracks the calendar year, the middle of the year marks important filing deadlines. Entities that expect to be paying income tax as a result of their 2021 operations are required to have filed their tax returns by 30 June. For entities that will be non tax paying as the result of 2021's operations, the deadline for filing a tax return is 31 July. These dates assume that the company is part of a tax agent's lodgement program. Any entities not included within tax agent lodgement programs should have lodged by 28 February.

Unlike the prior two tax years, there is no general filing extension to recognise the negative impact of COVID-19 on taxpayers. Other generally accepted historical methods for obtaining an extension (for example making payment at the time of filing before 31 August) are also no longer available. The IRC did indicate in its Tax Agent Bulletin that case by case extension requests may still be considered - however, the IRC generally considers that taxpayers should be able to complete their filing obligations on time.

The Income Tax Act does allow for the imposition of both late lodgement penalties as well as late payment penalties for taxpayers that fail to meet the required deadline. Taxpayers that fail to lodge their 2021 return before the end of 2022 will also be ineligible for extensions in the following year.

In addition to tax return deadlines, for many companies June or July is the nominated filing month by the IPA for their Annual Return. Again, a failure to lodge on time will see a penalty imposed. The IPA does allow for extensions to be granted, however these need to be applied for before the due date for lodgement. Entities should check their IPA records to confirm the filing month - as it is no longer automatically linked to the required date of an annual general meeting (AGM).

With ongoing focus on compliance within the IRC and the planned introduction of Companies Act changes to make it easier for the IPA to deregister companies for non compliance, the importance of understanding, monitoring and completing your compliance obligations has never been greater.

### IRC forging international links

The past weeks have seen an intensive program of international engagement for the IRC. Through their media channels, they have reported on participating in a workshop hosted by the Global Forum on Transparency and Exchange of Information for Tax Purposes, the meeting of Pacific Islands Tax Administrators Association, and they have welcomed a team from the Australian Tax Office for a multi week visit to PNG.

These exchanges provide a range of learning and sharing opportunities in relation to tax administration and allow the IRC to boost their knowledge and awareness of the large range of international tools available. A common thread for each of these forums and visits relates to data management as well as the conduct and management of audits. These are two pillars of the IRC's current strategic plan and are seen by the Commissioner General as critical in the efforts to build a robust, modern and efficient tax administration.

## **IRC and Customs announcing successes**

The campaign to publish successes in revenue collection through audit activity has been taken up by Customs who recently released information about the collection of fines and penalties as the result of an audit investigation into a company operating in the alcoholic beverages sector. The Chief Commissioner has repeatedly referred to the increase in fines and penalties collected as being a driver for the overall increase in Customs revenue being generated. Post clearance audits are also being routinely undertaken at the current time and reaching back for a number of years.

Not to be outdone, the IRC has also continued to publish the results of audits, describing in some detail their actions to identify falsified GST claims for a retail business which lead to the collection of underpaid taxes, fines, penalties as well as the issue of Departure Prevention Notice against the director of the company.

While audit activity has always been part of the operation of both revenue agencies, the extent to which the agencies are willing to publish details of their efforts is a new trend. It is reflective of the more robust compliance environment being introduced and greater transparency in relation to both their audit plans and the results of these audit activities. These actions are to be applauded for their impact on setting expectations within the economy for compliance.

For taxpayers, it is also a very public reminder of the importance of understanding tax positions, but also understanding their rights and obligations when under a review or audit. While the relevant agencies' power to investigate is wide, it is not completely unfettered. Understanding and following the rights and responsibilities for all parties in a review situation is key to building confidence within the broader taxpayer community and must be the basis for the overall compliance environment.

## **CLRC workshop held**

Last week the Constitutional and Law Reform Commission (CLRC) held a workshop to present the results of their review on the income tax laws of PNG. The commission first raised the terms of reference in October 2020 and published their issues paper a year later. The focus of the paper was on the level of income tax imposed on individuals working in the public service (as well as the private sector). Public consultations were held during October and November 2021 and the workshop presented their recommendations. The review found that the rates of income tax were high and their recommendations are to reduce, or even remove income tax on individuals and on termination and retirement benefits - with a consequential increase in GST by at least 20% to compensate for lost government revenue. The CLRC will accept further submissions until 8 July before finalising their recommendations for presentation to the national government. While the recommendations are clear, the status of the report and its influence on tax policy is not clear. The role of the CLRC is "to provide the Government with high level, independent advice on the Constitutional Laws and other law review and reform activities, and the state of the laws, as well as to promote community awareness and understanding of laws and the legal system in Papua New Guinea". It appears the community is aware of the impost of taxation and tax reform will continue to be a matter of contention.

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](mailto:peter.burnie@pwc.com)

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