

June 2025

Community engagement continues to be an ongoing focus for the IRC. The past few weeks since the last edition of PwC Pulse have seen key changes in the GST space, and ongoing activity by the IRC in outlining its expectations for taxpayer compliance.

Income tax return compliance

As the filing deadlines for 2024 income tax returns fast approaches for taxpayers working with tax agents, the IRC has been active in detailing its expectations for accepting the lodgment of returns.

Re-introduction of the IRC Assessing Function

In a recent media release, the IRC has announced that it has re-introduced the over the counter “assessing function” for the lodgment of income tax returns. This brings a ramping up of enforcement of requirements for income tax returns, with detailed checks of the supporting documentation provided along with income tax returns as a key focus. Failure to meet the requirements will mean tax return lodgments will be refused.

While the release states that this is standard procedure and not a new process, there is an acknowledgement that similar checks have not been completed in previous years. The release notes that the intention is to simplify the assessment process, minimise delays due to incomplete and/or missing documentation and maintain data integrity.

Assessing Function initial observations - Tax return disclosures

We have observed the following matters being common requests by the IRC as part of the assessing function checks. There remains a question regarding the availability (and requirement to maintain) certain information on a per-taxpayer basis, and while the application of the checks appears to be a blanket approach there is some inconsistency in how this is being administered in practice. Due to this, it is important that taxpayers ensure documentation is complete to avoid delays in submission of income tax returns.

- **Stamp duty receipts (property leases):** Property leases in PNG are subject to stamp duty, and upon payment, the IRC issues a stamp duty receipt number. For taxpayers making rental payments to landlords, this must be disclosed in the taxpayer's tax return (Schedule 6). The IRC has been rejecting tax returns that fail to include a stamp duty receipt number. Taxpayers must now ensure they obtain and disclose this number in their tax return to avoid rejection. As highlighted in previous editions of PwC Pulse, compliance with this requirement is critical.
- **Annual audited financials:** Unaudited or draft financial statements will generally lead to refusal of lodgment. Similarly, we have seen returns rejected for financial statements not including a cash flow statement. Unfortunately, refusal of lodgment has also currently been the case for some taxpayers who are not required to have audited statements. Taxpayers should be clear on their obligations for audited financial statements and ensure that these are provided at the time of lodgment of the return.
- **Interest and dividend income supporting information:** Various supporting details for interest and dividends are being requested from taxpayers, including TIN details of the payer, and withholding information.

If you require our assistance in meeting this obligation, please reach out to your regular PwC contact.

IRC in the news

IRC issues public statement on zero rating of various essential goods

On 19 May 2025, PNG's Internal Revenue Commission (IRC) issued a media release reminding taxpayers of the GST zero-rating of essential goods, effective 1 June 2025 to 30 June 2026, a policy previously announced to ease cost-of-living pressures and covered in prior newsletters.

Essential items, including baby diapers, tinned fish, cooking oil, biscuits, wheat flour, chicken, instant noodles, coffee, tinned meat, rice, sanitary pads, tampons, soap, and tea, will be GST zero-rated, and businesses must adjust pricing to reflect this.

Non-compliance, such as charging GST or retaining pre-zero-rating prices, risks penalties, fund recovery, or prosecution under the Goods and Services Tax Act 2003, with the IRC, ICCC, and PNG Customs Service monitoring compliance.

IRC's crackdown on inflated expenses

The IRC has launched a crackdown on companies inflating Cost of Goods Sold (COGS) to understate profits and evade taxes, as announced in their 27 May 2025 media release.

Through a COGS Benchmarking Project, the IRC is establishing industry-specific benchmarks to detect anomalies in sectors like wholesale, retail, hospitality, and construction, while also requesting detailed COGS breakdowns from businesses. Non-compliance, such as failing to maintain proper records or submitting evasive responses, violates the Income Tax Act 1959 and may lead to disallowed claims, penalties, or criminal prosecution.

Taxpayers must prioritise transparency and accuracy in their financial records and tax returns to avoid enforcement actions, including risk-based audits and public disclosure, as the IRC leverages data-driven analytics to ensure "fair competition" and rewarding "businesses that play by the rules".

Project Masta

On 30 May 2025, the IRC officially launched 'Project Masta' as a nationwide audit initiative to enforce compliance with Salary and Wages Tax (SWT) obligations in PNG. Targeting 65 entities who will be receiving audit notification letters in its initial phase, this project focuses on accuracy of tax calculations, proper application of salary packaging policies, exemptions under the Citizen First Home Buyer scheme, timely SWT return lodgments, and full disclosure of employee tax information.

The Commissioner General emphasised that the initiative seeks to close the compliance gap, expand the taxpayer base, and ensure fairness by addressing revenue leakages. Non-compliant businesses face penalties and enforcement actions. This is another example of the IRC's enhanced efforts at compliance, and taxpayers should be diligent in managing compliance obligations.

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